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GENERAL

New Direction in Soviet-U.S. Relations Analyzed *Shanghai GUOJI ZHANWANG [WORLD OUTLOOK]* *in Chinese No 12, 23 Jun 88 pp 22-23*

[Article by Pan Rui 3382 6904: "On A New Era In U.S.-Soviet Relations"]

[Text] The fourth meeting between Reagan and Gorbachev has drawn to a close. Gorbachev thinks there is the possibility of a fifth meeting with Reagan. Within a short 31-month period there has been 4 meetings. This is rare in the history of post-war U.S.-Soviet relations. All signs point to a new era in U.S.-Soviet relations.

The Intrinsic Motives

Post-war development of U.S.-Soviet relations has gone through "three swings of the pendulum":

The first swing was during the early post-war period, marked by Churchill's Fulton Speech and the emergence of the Truman Doctrine. The United States and the Soviet Union went from being war allies to being adversaries. This cold war lasted until the mid-1950's. The Berlin crises twice brought the two nations to the brink of war. Even the Korean War could not cast off the effects of the U.S.-Soviet confrontation.

The second swing began at the 1955 Four-Nation Summit, and was marked by Khrushchev's U.S. visit in 1959 and the so called "Spirit of Camp David." U.S.-Soviet relations began to thaw and moved from confrontation to dialogue, and from dialogue to further reconciliation. During the period, despite the U-2 incident and the Cuban missile crisis, U.S.-Soviet relations continued to develop and slowly emerged from the shadow of the cold war. The signing of treaties to ban certain nuclear testing and prevent nuclear proliferation showed that the two countries were trying, through some kind of tacit understanding, to rule the world together.

The third swing was marked by Nixon's Soviet visit and the first phase of arms control agreements. U.S.-Soviet relations entered a new pattern of moderation. Nixon was anxious to pull the United States out of the mire of the Vietnam war, and tried to make his foreign policies more flexible and positive by improving relations with the Soviet Union and China. During that period, the keynote was not only improving U.S.-Soviet relations, but East-West relations as well. Convening the European Security Council was the proof. But amid this atmosphere of moderation, the Soviet's military strength began to match and surpass that of the United States, in quantity, and in some areas, in quality. And so the arms race intensified. The 1979 Soviet invasion of Afghanistan further strained the U.S.-Soviet relations. Eventually confrontation replaced dialogue.

In 1985, Gorbachev became General Secretary of the Soviet Communist Party. In the same year, Reagan began his second term of his presidency. The intense arms race has become a huge economic burden for both countries. In the United States alone, by the end of fiscal 1987, the national debt has topped \$2.35 trillion—each citizen is burdened with a \$10,000 debt. The budget deficit has broken all records because of the huge military expenses. The Soviet economy is stagnant, which has troubled their leaders. The pleas and clamor for peace from people all over the world, the strong push from the respective U.S. and Soviet allies, especially Western Europe, the huge stockpile of nuclear weapons which means neither side can hope to win a nuclear war, and the limits of nuclear weapons, the instruments of contention, have become increasingly obvious: all these factors have contributed to the U.S. and Soviet decision to limit the scale and pace of the arms race and to replace confrontation with dialogue. The strained relations between the two nations is eased once again, and the heated contention is replaced by temporary compromise. This is what some foreign scholars called "new moderation." We can say that the U.S.-Soviet relations has entered its fourth "up" swing, and the arrival of the next "down" swing (this is a certainty) will very much depend on the overall development of the international situation (world situation and East-West relations,) the changes in domestic politics in the United States and the Soviet Union (for example, the outcome of Gorbachev's reforms, and the foreign policy of the next U.S. president) and it will also depend on the economic, political, and military maturity of the two nations. The author feels that this new pattern of U.S.-Soviet relations which stresses compromise probably will not, and cannot, change drastically within the next several years. This is one of the main objectives of the frequent Reagan-Gorbachev meetings, even though it has not been reflected in the achievements of those meetings or in the joint statements.

Changing Roles in the World Situation

World situation refers to the temporary stable condition of the various regional relationships in the world, relationships formed when nations make friends or enemies or remain neutral to suit their own interests and their own strength. This is a dynamic equilibrium. It is stable only in the temporary and relative sense. Changes in different parts of the world cause disintegration and new formations which affect the world economy and political developments, and can lead to war or peace.

After World War II, the United States and the Soviet Union became the world's superpowers, and they also became leaders of their respective military blocs. The world situation was characterized by polarization. Since the 1960's, however, several unstable elements have emerged from this polarity, they include the establishment of the European Community and the emergence of Western Europe as a unified body, the strengthening of China, the rapid economic development of Japan, and the rise of the non-alliance movement. Meanwhile, the

influence of the United States has been on the decline since the Korean War.

In the 1970's, Nixon's "Five Major Power Hubs" speech in Kansas City and his visit to China indicated that the world situation was heading for a new transition. During this period, neither the United States nor the Soviet Union could, by themselves, determine the future and the fate of the world, but they remained the world's superpowers. Nations of the European Community have caught up with the United States in economic strength, but like Japan, they still rely on the United States for defense. This mandates that neither Western Europe nor Japan can become independent forces. At present, China is concentrating on domestic economic construction, and until they succeed economically, China is just one of the large developing nations. While the two poles of the United States versus the Soviet Union is on the verge of disintegration, a multipolar world situation has not yet emerged. The present unique state is neither polarized nor multipolar; it is a transition from being polarized to multipolar: in military aspect, it is still polarized, but politically and economically, it is multipolar.

This transitional world situation is fully reflected in current U.S.-Soviet relations. Scanning the four U.S.-Soviet summit meetings and the topics being discussed since 1985, all emphasis has been put on arms control and on the relations between the two nations. No doubt the Middle-East, Central America, Angola, Cambodia and other regional issues were touched on, but compared to the time and energy spent on arms reduction and bilateral issues, those were minor issues. Moreover, the failure of the United States in Panama and the Soviet withdrawal from Afghanistan under pressure, both demonstrate that the United States and the Soviets are no longer in control of the future and the fate of these little countries, much less the world.

In a polarized world situation, U.S.-Soviet relations are more or less determined by the two countries themselves. But as their role in the world begins to decline relatively, their importance also diminishes, and because of the emergence of the transitional phase, U.S.-Soviet relations is more and more affected by external factors outside of their control. These factors, under certain conditions, are the determining factors. For example, in the arms control issues, the Soviet Union demanded that the nuclear forces of the United States and France be included in the discussion; when the United States and the Soviet Union discussed Cambodia, they had to consider China's viewpoint and stance; on the Middle-East question, the United States must listen to Western Europe and Japan's suggestions. Obviously, the change in world situation has brought significant changes to U.S.-Soviet relations, and the new pattern of U.S.-Soviet relations reflects this change.

A Shift in Strategic Goals

Another important motive behind the adoption of this new pattern of U.S.-Soviet relations is the shift in the

two nations' strategic goals. Whether it is the United States or the Soviet Union, what they seek today is not just the expansion, improvement, and renewal of nuclear stockpiles; instead, they have shifted their emphasis to the contest of overall national strength. The standards for gauging the overall strength of a nation naturally include military factors, but economic, technological, educational maturity and other factors are also important considerations. Therefore the United States and the Soviet Union have put the priority of economic, technological, and other developments ahead of military development. The fact of the matter is, economic development directly affects military strength. On the whole, the U.S.-Soviet arms race has been most intense during periods when both countries were experiencing healthy economic growth. The inverse is true too. For example, in the 1970's, the Vietnam War was very costly to the United States; they were plagued by one economic crisis after another; the U.S. dollar went off the gold standard, and financial deficits mounted. At that time, the United States sought to improve relations with the Soviets and wanted arms control. By the end of the 1970's and in the early 1980's, the American economy began to recover, and the budgets contained huge sums for military spending, starting another heated round of the arms race with the Soviet Union, using their economic superiority to wear down the other side. As a result, during Reagan's presidency, military expenses reached \$2 to 3 trillion, each citizen paying out around \$10,000.

The shift in strategic goals does not imply that the United States and the Soviet Union are no longer competing with each other. On the contrary, the emergence of a new situation marked by arms agreement signals the beginning of a new contest to develop overall national strength. This contest will be more extensive and more intense than the race to develop new weapons or the arms race. The result of this contest, similarly, will directly affect, and determine, future U.S.-Soviet relations. Obviously, the contest in overall national strength will have greater effects than simple arms race, and the result will be more serious. In short, the shift in the two nations' strategic goals has made possible the new format of U.S.-Soviet relations which is characterized by arms agreements.

12986

U.S.-Soviet Moscow Summit Reviewed
40050358a Shanghai GUOJI ZHANWANG [WORLD
OUTLOOK] in Chinese No 12, 23 Jun 88 pp 3-5

[Article by Gu Ji 4474 4949: "Develop A Dialogue, Strive for Coexistence: Thoughts on the U.S.-Soviet Moscow Summit"]

[Text] The Moscow duet performed by President Reagan and General Secretary Gorbachev has come to an end. Despite deep-rooted distrust on both sides, and despite

occasional discord, on the whole, there was harmony. Reagan felt everything went "smoothly," and that it was a "success." Gorbachev was thankful of Reagan's "cooperative, frank, and pragmatic" attitude during the performance.

Admittedly, from the point of concrete achievements, the meeting produced no surprises. But, as a U.S. newspaper commented, "in weighing the importance of this meeting, we should look first at the change in attitude in the handling of the U.S.-Soviet relationship which it signifies and not at how many tons of documents are signed." Just a few years ago, President Reagan still viewed the Soviet Union as an "evil empire." Today, he personally went to the heart of this "empire" to meet with Gorbachev. It goes without saying that this change in itself is very significant. It signals that both sides want to keep the dialogue and the moderating trend going. And it is because of this that the international circles generally have welcomed and praised this round of U.S.-Soviet summits. Today, although the Moscow duet has come to an end, the melody still lingers. Many expert listeners are still contemplating the harmony and the discord. How do we assess this meeting? What will its effects be on the development of U.S.-Soviet relations and on the global situation?

A Meeting Which Is a Sequel and a Precedence

The Moscow meeting is the fourth U.S.-Soviet high-level meeting in 2 years. It reflects the tortuous course of U.S.-Soviet dialogue, but it also reflects the extent of the moderating U.S.-Soviet relations. If the 1985 Geneva meeting broke the 6-year standoff between the two nations and paved the way for a new dialogue and expedited the arms control talks, then the 1986 Iceland meeting laid the foundation for the nuclear arms reduction talks. At the 1987 Washington summit, they finally signed the treaty eliminating intermediate-range nuclear forces, and took the first step in the history of arms reduction to truly reduce nuclear arms. The major achievement of the Moscow meeting, to quote Gorbachev, is "the continued development of Soviet-U.S. dialogue on all key issues of global politics and bilateral relations." They not only exchanged INF treaty ratification documents, and signed an agreement on two arms reduction issues and a bilateral agreement on seven cultural exchange and technological cooperation projects, the leaders also held broad and penetrating discussions on regional conflict issues, "and discovered possibilities of solving regional problems with political solutions on the basis of balance of interests." From Geneva to Reykjavik to Washington to Moscow—this is the entire route of the moderation of U.S.-Soviet relations. The Moscow rendezvous is the sequel to the previous three meetings and is also the starting point of future dialogues.

A comprehensive look at the Moscow meeting shows that both sides will agree that they want to continue the dialogue and the moderating trend. At the farewell

ceremony, Gorbachev repeatedly said that, "we had the great experience of having had four meetings, and we must try our best to keep going to 'turn back the train of U.S.-Soviet relations from the dangerous path and head for safety.'" In reminiscing his meetings with Gorbachev, Reagan pointed out interestingly that the first time they met in Geneva, it was a cold day, and Reykjavik was even colder. But the meeting in Washington last December was different. The Moscow meeting takes place in the summer, and both sides have sown the seeds which will produce results in the future. In a joint statement after the meeting, both sides again emphasized the significance of continuing the dialogue, and felt that "a dialogue can be the constructive basis for solving today's, tomorrow's, or the next 100 years' problems." This clearly shows that at present, the two nations have shifted the emphasis of their contention from military supremacy to overall national strength, and they must ease the tense relation between them in order to continue the present dialogue and moderating trend.

At present, both the United States and the Soviet Union are faced with a series of domestic and foreign problems. The leaders who have lived through the tumultuous years of World War II are being replaced by leaders of a younger generation. Because these younger leaders are brought up in a completely different environment from the political leaders of an older generation, they realize that military buildup alone cannot win them the international influence they have long sought. This reinforces the need for both nations to preserve the foundation of moderate forces and prolong that tendency. Reagan's presidency is almost over, but he wants to leave a lasting legacy for the next U.S. administration, so that whoever gets into the White House will be able to maintain contact with the Soviets. The Soviet Union, on the other hand, wants to maintain a dialogue with the United States to set down some basic principles concerning the relations between the two nations and other important international issues in order to create favorable international conditions which will enable them to concentrate on meeting the serious economic challenges they are now facing. This background makes the Moscow summit a meeting which is the sequel but is also the precedence to other meetings. Its real significance lies in its consolidation of what has been achieved and in continuing the dialogue.

Irreconcilable Differences

Although both nations appear to be optimistic about keeping the dialogue going, neither side will deny that they stand different on many important issues. Take the Moscow summit for example, every meeting has been "difficult," and even up to the very last minutes of the final meeting, there have been sharp exchanges.

The arms race was the central topic of the Moscow summit. As expected, the meeting produced no breakthrough on the issue of arms reduction. As soon as Reagan arrived in Moscow, he quoted the Russian saying, "It was born. It was not rushed." This threw cold

water at Gorbachev who had been anxious to conclude this treaty. At the meeting, except for agreeing on the method for counting air-launched cruise missiles and on monitoring mobile intercontinental ballistic missiles, the differences over sea-launched cruise missiles and the interpretation of the 1972 antiballistic missile treaty, the two main stumbling blocks, have not been resolved. In the U.S.-Soviet joint statement, both sides again solemnly declared that neither was "seeking military supremacy," but in fact both were trying their best to limit the other side and expand itself. This mentality has repeatedly caused the arms reduction treaties to "draw a blank," and "cast a shadow over the two country's relations."

Compared with the previous meetings, the Moscow summit went further into the issue of regional conflicts. Undeniably, the Soviet withdrawal from Afghanistan beginning 15 May created the good atmosphere for the two heads of state to discuss regional conflicts. Both Reagan and Gorbachev expressed that the end of the Afghanistan problem could lead to political solutions for other regional conflicts. They discussed the situations in the Middle East, southern Africa, the African horn, Central America, Cambodia, and the Korean Peninsula, but they disagreed on the causes and the solutions to the tense situations in those regions. Basically, each persisted with his own view, and there were great differences of opinion. At their third meeting, Reagan even put aside the original agenda which was to discuss regional issues, and turned instead to inquire about the Soviet economy. Naturally, the joint statement only briefly covered this issue.

The human rights issue originally was placed fourth on the agenda for this summit meeting, but Reagan seized this issue which is of interest to the voters back home, and it became the major topic and was mentioned at almost every meeting. At the first meeting, a list of 14 names was brought out, indicating that the U.S. is "very concerned" about the attack on the human rights of these Soviet citizens. On his visit to the Danilov Monastery, Reagan advocated "a new era of religious freedom," and he met with scores of Soviet "political dissidents," and urged them to "steadfastly fight for human rights." The host reacted strongly to this. Soviet newspapers criticized this "anti-Soviet performance," and declared that they "will not tolerate the use of the human rights issue to fan hostility between nations." Soviet foreign ministry spokesman Gerasimov said, "we recognize our own flaws, and we are not pleased with the school boy role assigned to us by those from yonder." On the same day Reagan received the political dissidents, the Soviet side arranged a meeting with a contingent of representatives of American Indians, and accused the United States government of persecuting native Americans and abusing human rights. They turned the table on Reagan and put on a tit-for-tat show.

The contention over basic strategic advantages and the deep-rooted sense of distrust which is difficult to overcome mandate that the moderation of U.S.-Soviet rela-

tions will be gradual and relative. The dialogues may become more frequent and more penetrating, but the rivalry will remain and will not disappear because the atmosphere appears harmonious. There is no basis for blind optimism in U.S.-Soviet relations.

Conspicuous Signs of Change

Despite all these, the United States and the Soviet Union, as the world's two superpowers and long-time adversaries, have entered a new era of moderation and dialogue. This injects a new element not only into the development of those two nations but also into the development of the world situation. Some changes are already obvious:

First, the international dialogue has expanded.

Reagan, a statesman with staunch anti-communist views, has travelled a long distance to Moscow where he has never set foot before to meet with Gorbachev. This in itself reflects the weakening of a consciousness which has dominated international relations and the behavior of politicians for more than 40 years since the world. Realism has prompted many politicians to abandon all kinds of prejudices and doubts and to sit down to talk. This was also where the Moscow rendezvous received the highest marks from around the world. A WASHINGTON POST commentary headlined, "The Beginning of An Unprecedented Era of Dialogue." People noticed that, a week after the Moscow summit, the European Economic Community and the Council of Mutual Economic Assistance signed a declaration of mutual recognition to end the 30-year old mutual non-recognition of Europe's two largest trade associations. Although this was not the direct result of the Moscow summit, it was consistent with the spirit of dialogue and moderation embodied by the summit. Moreover, under the present "macroclimate," there will be further developments in dialogue and political solution to various conflicts in the "hot point" regions.

Secondly, an economic race has replaced military contention as the number one concern for all nations.

Just as before, economic issues were not included in the agenda of the Moscow summit. Foreign reporters, however, have called this meeting an "economic summit meeting." This was probably deliberate to attract attention. Yet, among the factors which brought Reagan and Gorbachev to the bargaining table, the pressure of arms race on the national economy was indeed the prime consideration for both sides. But more important is the fact that the result of these meetings was first reflected in the economic realm. After the U.S. and the Soviets shift the emphasis of their contention from simple nuclear expansion to the development of overall national strength, which includes economics, technology, military, politics, and organization management, the scale and degree of economic contest will far exceed previous levels.

From a global point of view, the relative improvement of U.S.-Soviet relations will reduce the threat of war to an extent, and the congealing forces within the two large military blocs, NATO and the Warsaw Pact, will also diminish gradually. The economic conflicts between their respective allies and the United States and the Soviet Union will intensify. Take the United States as an example: in order to improve their own economic situation and reduce their foreign trade and budget deficits, they must increase exports and reduce imports, and they must revamp their exchange rate and interest rate policies, and naturally these will increase the disaccord and conflict between the United States and the other developed Western nations. The Soviet Union has a heavy burden abroad. When they switch their attention to the domestic economy and technological developments, and establish economic contact with the Western nations, inevitably there will be conflicts with their CMEA allies over raw materials, energy supply, and international division of labor. The economic conditions of the developing countries are uneven. A new group of newly industrialized nations or regions may have emerged, but many countries are still impoverished. In the coming years, on the one hand, all nations will become more deeply involved in the system of division of labor, and on the other hand, unstable elements in the world economy will accumulate, and the economic challenge faced by all nations will mount.

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Seminar on International Developments Since 3rd Plenum of 11th Central Committee

40050343 Beijing GUANGMING RIBAO in Chinese
22 Jun 88 p 4

[By Xu Binghe 1776 3521 0735]

[Text] This year marks the 10th anniversary of the 3rd Plenary Session of 11th CPC Central Committee. On 18 June, the Foreign Affairs College and the History of China's International Relations Research Association held a seminar to discuss "the international situation after the 3rd Plenary Session of 11th CPC Central Committee and the achievements of China's foreign policy." More than 30 persons from the Foreign Affairs College, other institutions of higher learning and research units in Beijing, including experts from the Ministry of Foreign Affairs and the press, professors, assistant professors, and research workers, assembled in the Foreign Affairs College to review and study the characteristics of international developments, the readjustment of China's foreign policy, and the achievements and experiences gained. The participants held that after the 3rd Plenary Session of 11th CPC Central Committee, and particularly during the 1980's, the international situation has the following characteristics:

I. Dramatic Change in International Situation as Shown by a Certain Degree of Relaxation

The rigid confrontation between the United States and the Soviet Union—the two superpowers—has changed

to dialogue. Since 1985, the U.S. and the Soviet heads of government have held four meetings. These frequent summit meetings within such a brief period were very rare in the past. In view of the changes from confrontation to dialogue, the signing of the INF Treaty, and the agreement on the withdrawal of Soviet troops from Afghanistan, the international situation has relaxed to a certain extent. There is now a trend toward dialogue as a substitute for confrontation and the use of peaceful means for resolving disputes. This is one of the new characteristics of international developments.

U.S.-Soviet relations and East-West relations, especially the military confrontation in Europe, have relaxed. Europeans now have reasons to be glad and to be worried. They are glad that the intermediate-range missiles have been dismantled, but are worried about the Soviet Union's superiority in conventional weapons. Since the end of World War II, Europeans have always had an ardent desire for peace. Both the United States and the Soviet Union may continue their disarmament talks in Europe, but, as we can see from the overall situation, their military forces have by no means been reduced, and their military confrontation has not been truly replaced by a detente.

II. Multipolarization Now Developing

After World War II, the failure of the United States in its wars of aggression against Korea and Vietnam and the beginning of withdrawal of Soviet troops from Afghanistan, were serious setbacks for the superpower's policy of power politics. Their national strengths have dwindled along with the reduction of their power to dominate the world. The world is now multipolar. There were divergent views on bipolarization and multipolarization. Some participants pointed out the "two, three, and four" characteristic, meaning the two major military groups, the three political forces, and the four major economic centers. In addition to NATO and Warsaw Pact as the two major military groups and the two political forces as the result, China and the Third World have also emerged as a political force. The four major economic centers refer to the United States, the Soviet Union, the EEC, and Japan. On the whole, the unipolarized or bipolarized world has become multipolarized, and global stability may be maintained for a fairly long time to come.

The U.S. and the Soviet power to control the world has been much reduced. However, they can still maintain their positions as superpowers politically, militarily and economically, and the factors of instability still exist. Some participants held that the war factor has been reduced, while the peace factor has been increased. Others held that although the war factor and war danger still exist, the force of peace has gained the upper hand. If people can keep up their good work, peace may be maintained even throughout the next century.

III. Question of Global Peace and Development Now More Prominent

Striving for world peace is most welcomed in the world, because people all hope for development which cannot occur without stable international conditions. Similarly, the question of development is highly regarded in all countries, because the neglect of development would adversely affect people's living conditions and their national position. Socialist countries are conducting reforms and developing their economy; the developed countries are carrying out readjustments and using high technology for economic competition; and the Third World countries also need to develop their national economies. Therefore, peaceful development is now the common desire of all peoples in the world as well as the irreversible trend of developments in the 1980's.

IV. Fast Developing International Relations Now Truly a Global Phenomenon

Mutual contacts and mutual reliance among all countries in the world have greatly deepened. The economic imbalance and the ups and downs of the national strength of the United States and the Soviet Union have created a new correlation of forces. The U.S. national strength has been somewhat reduced, while that of Japan has increased. Under these circumstances, public opinion in the United States demands some readjustment.

In international relations on a global scale, South-North contradictions have increased, while East-West contradictions have decreased.

V. Saturation of Nuclear Weapons Because of Possession of Nuclear Warheads and Long-Range Missiles by Both the United States and the Soviet Union

In the past, wars were fought for the acquisition of territories. Now, a nuclear war may turn the whole country into scorched earth. Nuclear weapons pose a real threat to mankind. The most effective nuclear weapon has also become an effective deterrent against nuclear war. Now, both the United States and the Soviet Union are aware of the difficulty of continuing the arms race indefinitely.

The participants also warmly discussed the readjustment of China's foreign policy and the new achievements and experiences gained under the guideline of seeking truth from facts as laid down in the 3rd Plenary Session of 11th CPC Central Committee. They proposed that the present developments of new conditions, new movements, and new characteristics of the world be closely followed and studied besides intensifying the training of China's diplomatic ranks, studying foreign languages, and increasing new courses on international economics.

9411

Role of Democratic Parties in Political Process Limited

40050341a Shanghai LIANHE SHIBAO in Chinese
3 Jun 88 p 3

[Article by Shang Ding 1424 0002: "Eyebrow, Understanding of Political Parties, and Others"]

[Text] "Old Shang, you said in an article that some people have likened democratic parties to eyebrows. Do you still share this view?"

"Yes, I still do. An old member of the Democratic League gave his children this deathbed 'advice': 'Democratic parties and groups are like onions, aniseeds, and other food condiments. They can be used to make the food more tasty. However, when people eat the food, these condiments are usually picked out and thrown away.' We can hardly blame him for making these remarks, because the stormy weather in the past several decades has weakened and blurred our understanding of political parties. Recently, however, the democratic atmosphere has become more and more intense, and this view is gradually fading out. My opinion is that along with the ascendancy and development of socialist democracy, the democratic parties and groups should have a better understanding of themselves."

"Can you be a little more specific?"

"In the case of our Democratic League, people said that we have adopted the 'star' system, because we had many 'stars' of national and international fame; and well-known professors, scientists, authors, movie directors, movie actors and actresses, lawyers, correspondents, doctors and so forth. They are what we are proud of and give us a sense of superiority! However, despite their better understanding of science and technology, education, creation, medicine and so forth, their understanding of political parties is quite meager. When they are in the academic societies or associations of their own profession, they can talk authoritatively; but when they are invited to participate in government and political activities or discussions, they forget that they were exercising their political rights on behalf of their political party. In the Democratic League, for example, there are not many statesmen resembling the outstanding leaders of the first generation. A political party without any outstanding statesman is like a theatrical performance without a star performer. Such performance can hardly be dramatic."

"You said that the members of democratic parties and groups are strong in their own professions, but weak in their understanding of political parties. If they act in their own capacity during their participation in government and political activities or discussion, what difference can there be?"

"This is precisely how political parties are different from masses organizations and guilds. Multi-party coopera-

tion under CPC leadership is one of the important components and features of China's socialist democratic system. The political parties have their historical mission."

"Then what do you mean by 'understanding of political parties'? Please be more specific."

"This is essentially the understanding of political parties as a subject (or as being independent); of the political parties' rights to participate in government and political activities; and of their capability and their mechanism of action. The members of our political parties and groups understand very well the policies of the party and the government and their calls for action, but the sense of their political effects is very poor. This shows that the political parties are not yet able to play an independent role. Therefore, we must urge the political parties to be aware of their independent position. They must understand that their rights and duties are stipulated in the constitution and that their rights are the rights of the masters of the country which cannot be violated. The political parties should have a keen interest in government and political activities and be good at political discussions. Their performance will depend on their members' cultural accomplishments, knowledge structure, ideological level, and political quality. If the members are strong in these four respects, their political party will be able to play a more active role."

"What do you mean by the political parties' mechanism of action?"

"A political party is like a machine or a systems engineering project. Its action, unlike individual actions, must be supported by an organizational structure, cadres line-up, conditions of action, and so forth. For example, a political party should have a structure-research organ to do various research jobs. It must also keep abreast of the current political situation and have its own means of publicity. It must have its own newspaper to serve their participation in government and political activities and discussions, to exercise public supervision, to represent the party's interests, and so forth. On the whole, the political parties should participate in government and political activities and discussions in a bold, enlightened, dynamic and effective way."

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Central Party School Symposium on Political Development Strategy

40050341c Beijing GUANGMING RIBAO in Chinese
20 Jun 88 p 3

[By Jing Song 0513 2646]

[Text] On 4 June, the PhD candidates specializing in scientific socialism of the theoretical department of the Central Party School and the China Political Structural

Reform Research Association (Preparatory) jointly held a seminar on the "strategy for political development and the reform of political structure in China's initial stage of socialism."

The participants held that in Chinese society, theoretical exploration for a model of political development is still in its initial stage. During this stage, we must ascertain the correct research principle, meaning that in our research, we must proceed from realities instead of book learning or doctrines. In studying our national conditions, we must not only proceed from the realities in China, but also further widen our field of observation. In other words, we must study the model of political development in all the developing countries and regions, such as South Korea, Singapore, Brazil, and Mexico, and try to learn something useful through comparisons.

The participants further pointed out: In studying the model for China's political development, we must pay attention to the application of the model itself. No matter how good a theory may be, its suitability will be greatly reduced if it cannot be applied in practice, and we have suffered a great deal on this score. The real benefits of achievements in social scientific research are measured by the degree of their applicability. We must raise the degree of applicability before our social scientific research may have sufficient power of attraction.

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Criteria for Determining Urban, Rural Areas
40050323 *Shenyang LIAONING DAXUE XUEBAO*
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[Article by Teng Zhenghui 3326 1767 6540; edited by Pei Hongchi 5952 7703 3069: "A Discussion on the Criteria for Differentiating Between the Cities and the Countryside"]

[Excerpts] The urban and rural areas are two major social zones and types of communities where people live together. People have conducted analyses on them according to various theories and sciences, but very few have done so from the standpoint of government administration and statistics. In the past 200 years, most countries in the world have one after another defined urban and rural areas for the authorities by providing criteria for defining these areas. These criteria have become an indispensable basis for governments in formulating their social and economic policies.

3. Formulate Rational Criteria for Defining Urban and Rural Areas

In the past several years, people in domestic theoretical circles and departments engaged in practical work have paid increasing attention to the criteria for defining urban and rural areas and the need to reevaluate and

revise statistics on urban and rural populations. In the "Scholarly Forum on Issues Pertaining to China's Urbanization," held in 1982, someone suggested that a township be designated as having a population of more than 5,000, 70 percent of which is nonagricultural. In a small cities and township planning meeting held in a southern province in 1983, it was again suggested that a population of 5,000 be the criterion. The national consensus was that the basic formula for urbanizing a township should be: minimum size of population + proportion of nonagricultural population + Annual GDP = criteria for designation of a township. In our opinion, two basic points should be noted when making the distinction between urban and rural areas:

1. There are 20 countries that use 2,000 as the minimum population and 18 countries that use 5,000 as the minimum. Both are fairly useful for comparison purposes.

Judging from China's present social and economic conditions, a population of 2,000 is preferable, because statistics and planning departments and our social psychology are already accustomed to such figure, and we could continue to make our data comparable to earlier historical records. Furthermore, historical experiences have proved that even a cut-off population of 3,000 is too rigid and would hamper urbanization to a certain extent. That is why a cut-off of 5,000 is not appropriate at present.

2. The main defect of the 1984 criterion for defining urban and rural areas is that the standard features of cities and towns were not taken into consideration, and the integrity of administrative jurisdictions was overemphasized. As a result, huge tracts of rural land appeared in the statistics as urban features. We believe that the "adulteration" of urban statistics in the past several years was not caused by an overly liberal criterion for definition, but by a lack of understanding as to what constitutes urban versus rural land and by the inflexibility of the statistics system.

Because of this, we tentatively offer the following criteria for distinguishing between urban and rural areas that are more in line with China's situation:

A. An urban area shall be where the county government or higher-level government seat is located.

B. It must have more than 2,000 people living in a compact community with a nonagricultural population of more than 60 percent and an annual GDP of more than 200 million yuan. At the same time, it must have four or more of the following 10 features of urban living: (1) A main street of at least 100 km long with stores on both sides of at least one-third of this length, and at least one day market; (2) movie theaters; (3) kindergartens; (4) hotels; (5) schools at the high school level or above; (6) hospitals; (7) parks; (8) several public latrines; (9) running water, sewer, communications facilities, trash disposal and other urban support and maintenance facilities; (10) several structures of at least three stories.

C. If these conditions are not fully met and the government at the provincial or higher level deems it necessary to create a township, and have officially approved it, the place can be listed as an urban residential area.

According to a rough estimate based on these criteria, the urban population of China in 1984 and 1985 was 29.8 and 34 percent of the total population respectively. These figures are lower than the respective 31.9 and 36.6 percent figures of the State Statistical Bureau and take into account administrative criteria, demographic criteria, economic criteria, and geographic criteria, thereby better reflecting the real differences between urban and rural areas.

No matter what the criteria are, if they are to be used, it is necessary for us to understand the competing interests of various internal departments of administrative bodies in our government over the issue of the definition of urban and rural land. The strongest opposition to standardizing the criteria by which urban and rural areas are defined are the statistics departments themselves. They are strongly in favor of a definition by administrative units, so that the definition will be consistent with the current system of compiling statistics. The statistics departments feel that the rationality of the criteria themselves is of secondary importance. What is important to them is who will define the criteria and once the criteria are defined, who will be responsible for compiling the statistics. They would find it impossible to assume the heavy burden of compiling statistic on the basis of both administrative regions and standardized classifications. The State Planning Commission also frowned on major changes which would bring difficulties for a comprehensive balance in labor and wages, credit, and taxation. The Tax Bureau collects 7 percent, 5 percent, and 3 percent town-building tax from cities, towns, and villages respectively, and is, therefore, not interested in two different types of statistics on urban population. The Ministry of Finance would like to see more rigorous standards applied to the definition of urban and rural areas because the more than 9,100 townships now enjoying treatment as an urban entity will be a heavy burden. The public security, commercial, education, public health, and grain departments all have different definitions and measures for urban and rural areas, and it would be hard to enforce any arbitrary standardization. Whatever form the new criteria may take does not seem to matter much. Theoreticians try even harder to arrive at standardized criteria and comparability and welcome a standard definition of demarcation. In the face of the many competing interests and desired criteria, the State Council should adopt the following measures in addition to stressing the need to look at this issue from a nationwide perspective: (1) Increase the funds, personnel, and power of the statistical departments so that they can play their role more effectively as economic chiefs of staff. (2) Not change the rules of special departments. (3) Work out carefully and resolutely the criteria that will meet the requirements of

economic development so that they will serve as a rational yardstick for economic zones and social zones. This is also an underlying requirement for modernization.

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Wang Ruoshui on Truth Criterion, Theory Research

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[Chapter from book "In Defence of Humanism" by Wang Ruoshui; Sanlian Shudian, 279 pages; transcription of a speech delivered at a forum held in Shanghai on 15 Aug 1979]

[Text]

Truth Criterion and Theory Research

The Theory of Scientific Socialism Should Be Developed in Practice

First, I'd like to talk about the issue of truth criterion. Bringing up this issue at the present is of not only domestic but also international significance. Marxism has been tested in practice for over a century since it was introduced. How do we look at it now? In the beginning of the 20th Century, the October revolution won a great victory. In the middle of the 20th Century, the Chinese revolution also won a great victory. These great events brilliantly proved the correctness of Marxism and exerted a far-reaching influence in the world. In the 1950's, the reputation of the imperialist camp was notorious while the influence of the socialist camp was growing among the people of the world who placed hope in the Soviet Union and China. However, in the past 20 years or so, things have changed. First, the Soviet Union had problems. Immediately after that, the socialist camp split. There followed 10 years of turmoil in China. Contrary to what happened on this side, capitalism had over 20 years of a "golden age." What does this explain? I think perhaps during these years Marxist theory has failed to develop along with the development of practice; therefore, it is probably already behind the international reality.

Marxist theory has three parts, and the most detailed one is political economy. "Das Kapital" was in line with the reality at its time. Later in the imperialist period, things were different. In the early 20th Century, Lenin wrote "Imperialism, the Highest Stage of Capitalism" and thereby solved the problems of that period. Now half a century has passed since then, the situation has changed drastically, and many new situations and phenomena have appeared in capitalist development. However, many of our comrades still try to understand capitalism only by reading books. Of course, we need to read Marx's "Das Kapital" and Lenin's "Imperialism, the Highest Stage of Capitalism," but what these books depicted

were situations in the last century or the early part of this century and many changes have occurred since then. Although essential and basic contradictions remain the same, many situations have indeed changed. Due to many years of isolation (resulting first from an imperialist blockade and then from our own closed-door policy), we did not understand the outside world. Due to the isolation and lack of study, we knew very little about the situations of capitalist countries. Even if we knew a little, we were too afraid to talk about it. Now that our door is open, we find that things are different from books, students have raised many questions, and the theoretical circle also feels the need to think about many issues. We now need a book—not one book but many books—that analyzes, from all angles, new phenomena which have appeared in capitalist countries during the past few decades since the introduction of "Imperialism, the Highest Stage of Capitalism" and gives Marxist answers to new questions and on new situations. Of course, we do not have another Lenin; nor did Chairman Mao write such a book. Then what shall we do? I think, instead of waiting for some talent to show up, we should rely on collective power—the collective power of theoretical workers—to explore and study and gain new knowledge from years of research and discussion, which is also developing Marxist political economy.

Lenin said imperialism was moribund capitalism. He even then predicted that the capitalist system was dying. Of course, several decades could also be considered a dying period in history. It takes not just one or two decades for a system to die; it could take several decades or even a century. This is understandable. But the question is since Lenin's book "Imperialism, the Highest Stage of Capitalism," especially since World War II, the capitalist economy, in general, has had many crises as well as rapid developments, resulting in higher living standards for workers and a so-called "golden age." How come a dying system has a "golden age?" In addition, some new capitalist countries have emerged in some areas and they are developing very rapidly. For instance, Singapore and South Korea are making rapid economic progress. This explains that Chairman Mao's thesis in "The Theory of New Democracy" that there could not be another Kemal is proved incorrect in practice. Then, is it justified to describe the present capitalist world with such adjectives as rapidly declining and moribund? There are two estimates and based on them we can develop two kinds of foreign strategic principles. If we think the capitalist system is dying, we should hurry up and get prepared for the world revolution. Didn't we use to say during the "cultural revolution" that "now is the time for imperialism to head to a complete collapse and for socialism to head to a world-wide victory?" Lin Biao also thought that way. He believed that cities were surrounded by rural areas all over the world and he wanted to overthrow U.S. imperialism, Soviet revisionism, and everything else. He was an extreme "Leftist." Another estimate is that in spite of crises, capitalism still has some life in it. I have been abroad only a few times. Last year I went to the United States and saw there were

indeed many contradictions including economic problems, inflation, and an energy crisis, which gave them great headaches, but they are far from dying or rapidly declining. When a system is dying, it should be fairly easy to detect. Even if you are there only for 20 days or a month, you should be able to find traces of decline in social conditions and the psychological conditions of the people. Like Comrade Ba Jin said in his novel "Home:" I am denouncing a dying system; that system is indeed dying for feudal things are withering one after another. Judged from the current situation, the force of life is still growing in the framework of capitalist production relations. Therefore, I wonder if the life of capitalism is longer than what Lenin predicted or if it was probably too early for Lenin to say that capitalism was at a dying stage. We should be able to study these questions. At that time, it was impossible for Lenin to make accurate predictions on certain things. I think Lenin probably could not imagine or predict the rapid developments in the science, technology, and productive forces of today's capitalist world. Take polarization for instance. Marx said in "Das Kapital" that as capitalism develops, there will be an increasingly large number of poor proletarians on the one side and millionaires on the other. In other words, the entire society will be polarized into the shape of a gourd—big on one end, small on the other, and very skinny in the middle—and the middle class and petty bourgeoisie will be drawn to both ends. What is the current situation of capitalist society? There are large numbers of middle-class people. Under this circumstance, we should forget about books, proceed strictly from reality, and test theory with practice. If a theory contradicts reality, we should revise it. We should never distort facts to accommodate theories by saying that the peoples of capitalist countries are impoverished, that they will rebel any minute, that they are just sitting on a powder magazine that will explode any time, and that they will be doomed as soon as it explodes. Because, it would be unrealistic. American workers strike, too, but they are not opposing the capitalist system. They want higher wages. We visited the United Auto Workers union in Detroit. A union official told us that they were willing to cooperate with capitalists, but capitalists refused to cooperate, so they had to fight. He believed that everything could be solved through legal struggle and he had no intention of overthrowing the capitalist system. We cannot just say you American workers have such a low level of class consciousness, you are corrupted, and etc. I think we should do more than make critical remarks on this issue, for it reflects the objective existence of a situation; whereas the task of Marxism is to recognize facts as they are in an objective manner and to answer such questions through Marxist analysis. We should not be afraid of such things. Now that our foreign relations have been established and more and more people have come in and out of our country, our youth begin to have problems, thinking that capitalism is superior. In the past these young people did not understand and thought capitalism was a complete mess. Now

they understand a little about the surface of capitalism, but not enough, so they think that capitalism is superior and that our socialism, in comparison, has failed.

What is socialism exactly? It was impossible to have a complete theory of socialism during Marx' time because Marx only laid a foundation for scientific socialism. It is impossible to say that the theory of scientific socialism is complete because socialism has not been carried out. How can there be a complete theory on socialism without the practice? We have tested and developed the theory through Soviet and Chinese practice of socialism in the past several decades. Even today, many questions have yet to be resolved, many objective laws are waiting to be studied and experiences reviewed. As the central government pointed out, we should build a socialism to suit China's national conditions and develop productive forces as soon as possible. This includes absorbing the good experiences of other countries.

This involves the question of how to uphold socialism. First, we should understand what is real and what is fake socialism. Only by thoroughly criticizing the fake socialism of the "Gang of Four" can we uphold real socialism. Second, socialism has more than one model. As long as the general principle is the same, socialism could be carried out in a hundred different ways. Before we only knew how to copy the Soviet Union. We did it because the Soviet Union was the only socialist country at the time. Later we criticized the Soviet Union but we were still thinking in the same way. We thought there was only one way to achieve socialism, no alternatives. Only by comparing can one distinguish and recognize. Only after comparing our methods with those of other countries such as Yugoslavia and Romania did we find out that there could be different methods. Therefore, to uphold socialism, we should have a clear understanding of these issues. This also explains that we cannot uphold socialism unless we emancipate our thinking. Upholding socialism does not mean maintaining the status quo and copying everything indiscriminately. We should not copy the 10 years of the "cultural revolution"; nor should we copy the 17 years before the "cultural revolution." Of course, certain things should still be done in accordance with the methods used during that 17 years, but they are not sufficient. We must create new methods to solve new problems. Failing to solve these problems will make upholding socialism impossible. Because of this, we should not advocate emancipating our thinking under the prerequisite of the four upholds. I disagree with this view. We should reverse it—only by persisting in emancipating thinking can we uphold socialism. You say we need to uphold socialism, but what kind of socialism? There is no fixed model for socialism, then what is the method most suited to China's conditions? We should let the public discuss these questions. How can they discuss anything if their thinking is not emancipated? Some erroneous and popular views of the past are mistaken for the only way to socialism. For instance, socialism does not allow recruits so everybody must be assigned under socialism; otherwise, if workers are

recruited, it would not be socialism. What is this nonsense? For another instance, the planned economy, which is also waiting to be studied, may be practiced in different ways. Only by so doing can we develop the theory of socialism. How can we develop the theory of socialism if we do not emancipate our thinking? Many practices cannot be continued. Since Stalin's problems cropped up, the Soviet Union realized that they could not succeed by copying all of Stalin' methods and that they had to make some changes. Chairman Mao also realized this fact and tried to create some new methods. As a result, when Chairman Mao criticized dogmatism before the year 1957, he urged us to think before copying the Soviet Union so that we could learn from their positive experiences and draw lessons from their negative ones. The Soviet Union also changed. They attached importance to material incentive or material reward—I cannot find much difference between the meanings of these two phrases after consulting with many dictionaries. The Soviet Union has indeed taken this road. In 1958 we put politics in command. Later we engaged in class struggle, using it to determine everything, as the key link, and to promote production. After all these years, if we look back and use practice to test the several theories which guided us through these years, we would find out—we need not to be evasive—that the 10 years of turmoil has pushed the national economy to the brink of collapse. How can you afford not to review this theory? How can you refuse to recognize such a practice?

Many people at home and abroad say that we have turned into "revisionists" and that our line has changed. It is true that our line has changed. It was the ultra-left guiding ideology that occupied a dominant position during the "cultural revolution." How can we afford not to change it? But, changing the line is not the same as revisionism. In fact, the "revisionist line" is not an appropriate term. Why? Revisionism initially was referred to the theory of Bernstein and his like. It was a theoretical issue. If a theory contradicts the basic tenets of Marxism, it is called revisionism. As for the issue of line, it is either Left or Right opportunist line; there is no revisionist line. The basic tenets of Marxism are universal truth which is a criterion for the whole wide world. "Revising" such a criterion is the same as opposing Marxism and thus should be objected. We cannot say a basic tenet was good yesterday but is no good today because it covers a very long period of time. As for the line itself, it should change as situations change. We had one line for the period of democratic revolution and another for the period of socialist revolution. We even had different lines for different stages of the socialist period. Therefore, the term, the revisionist line, gives people an illusion as if there ought to be a permanent line that will stay the same forever like "doing everything according to existing principles" which was advocated by the "Gang of Four." You have to do everything according to existing principles and lines; otherwise, you are revisionists—this is the exact logic Liang Xiao [2733 2400] used in his article carried by the "GUANGMING RIBAO." It says: After Marx died, Engels waged a

struggle against opportunism according to existing principles; after Engels died, Lenin followed Marx' and Engels' existing principles; later Stalin followed Lenin's existing principles; and Chairman Mao too followed existing principles. As a result, our current principles are still Marx' principles. This is absolutely absurd metaphysics.

All I mean is that socialism still needs to be shaped and there is a vast world where much can be accomplished by our theoretical and other workers in this field. To do so, we must emancipate our thinking. Therefore, I say there is no scientific basis for the argument that Chairman Mao had a complete set of theories on socialist revolution. How can there be a complete theory of socialism before socialist construction is completed? It is of course possible for theory to precede practice, but theory could not be completed before practice is completed. Do we have a complete understanding of capitalism? No, we do not. After "Das Kapital" we had to study "Imperialism, the Highest Stage of Capitalism." After "Imperialism, the Highest Stage of Capitalism" we had to study other aspects of capitalism. When will we be able to complete our understanding of capitalism? After the death of capitalism. Only then can we study the whole process of birth, development, and death and thereby complete our understanding of capitalism. We cannot even complete our understanding of capitalism not to mention socialism. Therefore, we must emancipate our thinking to develop Marxism. People used to think in the past that theoretical issue was only a leader's responsibility. This idea came from the Soviet Union and Chinese tradition. Each dynasty had a sage such as Yao, Shun, Yu, Tang, Wen, Wu, Zhougong, Confucius, and Mencius. Only their words can be used for criterion or the so-called "Confucian Orthodoxy" and other people's words are worthless. A theory should be developed by the collective including the masses of people and theoretical workers, and everybody can make a contribution and help develop it. We are all fools, but even a fool can occasionally hit on a good idea. By adding such ideas together, we would be able to improve our theory. For many years we were not used to thinking for ourselves; we used to wait for the central government and Chairman Mao to say something and then we would do whatever Chairman Mao told us to do. Now we cannot rely on them anymore. We need to study many teachings of Chairman Mao, but there are no ready-made answers to many new questions. This forces us to think for ourselves, thus bringing life and hope back to our theoretical work. There still may be great development in China's theoretical undertaking.

Marxism and Mao Zedong Thought Permit Inquiries and Criticisms

I'd like to address another issue: how to treat Marxism and Mao Zedong Thought. When we bring up the issue of the four upholds, we should not set it against the

liberation of our thinking because we need to emancipate our thinking to uphold Marxism and Mao Zedong Thought; otherwise, we cannot uphold Marxism and Mao Zedong Thought.

I think that after years of practice, Chairman Mao's 1957 speech on correctly handling contradictions among the people has been proved basically correct. Restoring some of the theses in this speech which have been forgotten and abandoned is exactly what we need to do now. For instance, the phrase that the class struggle has been basically completed is a long-forgotten sentence and we have started to mention it again. There are also some problems. During the same socialist period, first he said that the class struggle was basically completed and later he said that it should be discussed yearly, monthly, and daily. These two sentences contradict. If one of them is the truth, the other would not be. So it is impossible for every sentence to be the truth; neither is it possible for us to follow every instruction. Since the tenets of a complete system usually are consistent, the inconsistency of its tenets explains that our understanding of socialist construction and revolution has not been completed. Chairman Mao urged us in 1962 to understand the realm of necessity—the socialist construction of China and we have not been able to accomplish it. When did we complete our understanding of democratic revolution? As far as the theoretical system was concerned, we did not set forth the general line for the new democratic revolution—namely, a revolution led by the proletariat and the masses of people to oppose imperialism, feudalism, and bureaucratic capitalism—until 1948 right before the victory of the democratic revolution. Later in the article "On the People's Democratic Dictatorship," he was still reviewing this experience, but by that time the theory was complete because the practice of democratic revolution was completed and the theory was tested to be correct. Now we have this problem: Some instructions contradict others and we cannot follow every one of them. What do we do? There is only one thing we can do—we resolutely follow those instructions which have been proved correct in practice in accordance with the criterion of practice. So, quoting a sentence from Chairman Mao's 1957 speech—the large-scale, violent mass class struggle has been basically completed—at the 3rd Plenary Session of the 11th Party Central Committee does not mean that we stick to each and every instruction. Instead, it means that this instruction has been proved correct after over 20 years of practice. Why did we not quote other words? We did not quote other words because they have not been tested in practice. These questions not only concern our attitude toward our leaders and political stand but also concern the success and failure and the life and death of socialism in our country. Some people still cannot get over the lingering fear. They say, you are probably right now, but what happens if there is another "cultural revolution." I say, if there is another "cultural revolution," whether or not you will be criticized would not constitute an issue because the issue would be whether or not the nation and the party will survive.

That Marxism permits criticism was originally an idea advanced by Chairman Mao in his 1957 report on contradictions among the people. Chairman Mao said: Marxism has been considered as a guiding ideology in our country, then can we criticize it? Of course. Marxism would be useless if it were afraid to be criticized. Instead of being afraid of criticism, Marxism invites it in order to develop during the struggle. In fact, the petty bourgeoisie, bourgeoisie, and other people are criticizing Marxism every day, aren't they? They criticize it every day. Some are fair criticisms and others are not. Can you stop them from criticizing? No, it is impossible.

We have to distinguish between opposing socialism and opposing Marxism and between doubting socialism and opposing socialism in action. In China, socialism is our basic system and the overwhelming majority of people support it. So you cannot oppose it. Nowadays, some young people are confused. They doubt socialism and do not understand what socialism is. They thought the iron rice bowl and eating from the same big pot 12 months a year means socialism. What does that have anything to do with socialism? They do not know and we cannot blame them. We should blame ourselves, for we did not do a good job. If you oppose socialism in action, like instigating a group of people, founding some kind of an organization, or calling on the people to overthrow socialism, then, sorry, you would be violating the criminal law. It is of course allowed to have some doubts about socialism. It is also allowed to have some doubts about Marxism. Why can't we have doubts about it since Chairman Mao said it was Okay to criticize it? We should distinguish between party and non-party members. If a party member says I don't believe in Marxism or Mao Zedong Thought at all, we should ask: Why did you join the party? It is not strange for the masses outside the party to have different kinds of thinking. We should use a proletarian world outlook to educate and reform them, which is a long-term task. All non-proletarian thinkings including the anti-Marxist thinking will exist for a long time to come. We should educate or criticize people with such thoughts but we cannot prohibit such thoughts, according to Chairman Mao. What can we do about the anti-Marxist thinking? If our enemies have such thoughts, it will be easy—just forbid their talking. What happens if it is one of our people? We can only let him talk first and then educate and criticize him by reasoning with and talking to him.

Therefore, first, we should not be afraid of criticism; second, we cannot possibly stop them from criticizing; and third we should permit criticism. Is criticism good or bad to Marxism? It is good. Many people are scared to death as if allowing criticism could damage our stand and Mao Zedong Thought. I say Chairman Mao himself thought differently. He said: Marxism develops during the process of a struggle and it stops when people stop criticizing. To prevent Marxism from turning into dogmatism, an important measure is to allow a hundred schools to contend.

I can tell you something else. In April 1957, I met Chairman Mao and heard him say face to face that Marxism, including the basic tenets of Marxism, permits criticism. He said it did not sound good to say it is Okay to criticize the individual theories of Marxism but not the basic tenets of Marxism. So, when he wrote his speech, he just said in a general term that Marxism can be criticized.

But, we did not follow his instruction. Later at a propaganda work conference, someone said that a hundred schools referred to only two schools—capitalist and proletarian, thus confusing the issue of allowing a hundred schools to contend. All thinkings were categorized into either bourgeois or proletarian. In other words, if you were not bourgeois, you must be proletarian. What belonged to the bourgeoisie? Everything that was wrong, as if the proletarian ideology was so pure that it could not have any mistake at all whereas the bourgeoisie had all the mistakes. As a result, every ideology was labeled. This practice may be traced further back to "The Theory of Practice" where there was a sentence saying that all ideologies were stamped with the brand of a class. Of course many ideologies were stamped with the brand of a class, but does every ideology have a class nature? Later during the "Great Cultural Revolution," this sentence became the basis for the theory of blood relationship. You were branded with a class as soon as you were born. The brands of certain classes were especially deep, such as the "son of a bitch" class and the four black categories. The several red categories were also branded with a class which was born red. These brands of classes could never be erased. Can we categorize all ideologies into either bourgeois or proletarian? Many ideologies have a class nature but many don't. What kind of a class nature does the thinking of natural science such as Einstein's theory of relativity have? What class does social science such as Morgan's ancient sociology belong to? Another question is: Are there only two classes? Can landlords be considered a class? Can farmers and small producers be considered a class? How about the petty bourgeoisie in urban areas? How come we only singled out the bourgeoisie? Since only two classes were noticed, someone later put forward the slogan of eliminating bourgeois ideology and fostering proletarian ideology as if on the ideological front all we had to fight was only one bourgeois ideology. When did we criticize the influence of feudalism and petty production over all these years? Never. In fact, we saw that feudal influence was much greater and worse than bourgeois influence. What we did was let slip by the thinkings of the landlord class and feudalism. As a result, feudal thinking emerged during the criticism of the bourgeoisie. For instance, during the "Great Cultural Revolution," women were not allowed to wear skirts or braids. I also saw a big-character poster opposing men and women swimming together and saying that women's swimsuits looked ridiculous in the pool. I think in the past 20 years we have failed to raise anti-feudalism to a proper level on our ideological front. The fact that the government work report at this people's congress mentioned the issue of anti-feudalism indicates

great progress. As I mentioned before, someone at a propaganda work conference said that a hundred schools referred to only two schools, which was however changed in the "May 16 Circular." Originally we were told that various erroneous thinkings among the people should be criticized and corrected through persuasion and reasoning, not by coercion. Problems in the ideological sphere cannot be solved by holding one or two meetings; they should be solved by presenting the facts and reasoning things out. Later, the "May 16 Circular" criticized the view that everybody is equal before the truth. In other words, the bourgeoisie could not enjoy equality and they had to be suppressed. It demanded that the proletariat exercise dictatorship over the bourgeoisie in the sphere of superstructure including the ideological sphere. Such a dictatorship made it impossible for a hundred schools to contend. Therefore, a hundred schools contending became two schools contending, which later became one school singing solo. What was the last school? Was it Marxism? No, it was the school of Lin Biao and the "Gang of Four."

The movement of combating and preventing revisionism originally was to oppose changing the basic tenets of Marxism. Later, it turned into a movement to establish absolute authority for a leader and ensuring that China will never change its political color also became a means to establish a leader's absolute authority. Every word this authority said was absolutely correct and did not need to be tested through practice. Whoever criticized or violated some of his words before or after he died would be likened to Khrushchev, accused of opposing Mao Zedong Thought, and considered a bad guy to be punished by the whole party and nation. As a result, in the process of combating and preventing revisionism, a personality cult gained ground. In 1956, we drew lessons from Soviet experiences and wrote an article, "On the Historical Experience of Proletarian Dictatorship," to criticize Stalin's personality cult, which was the right thing to do. In the report to the Eighth National People's Congress on the amendment of the Party Constitution, Comrade Deng Xiaoping said there was a reflection of a personality cult inside our party. Later, this view was changed. On the issue of Stalin, the second criticism of the "Nine Criticisms," which was adapted from the speech of a certain "adviser," never even mentioned the mistakes of his personality cult. Instead, it said criticizing personality cult was completely wrong for it violated Lenin's theories on the masses, class, political parties, and leaders, thus paving the way for the development of a personality cult and resulting in serious and disastrous consequences. These views all violated the criterion of truth. Lenin's teachings on the masses, class, political parties, and leaders is that the masses are of different classes, the party represents classes, and leaders represent the party. It is true that leaders represent the party, classes, and the masses, but we cannot say that everything a leader does must represent the masses, that believing in leaders means believing in the masses, and that the personality cult does not exist. Leaders can also depart from the people; therefore, not every word and

deed of leaders absolutely, undoubtedly conform to the people's interests. Leaders sometimes can make mistakes. Chairman Mao himself once said: "No party or person can avoid making mistakes." Lin Biao advocated that "everything Chairman Mao said is the truth." I'd like to ask him: Isn't this remark of Chairman Mao also the truth? Chairman Mao said no one, including himself of course, can avoid committing mistakes. This remark must also be the truth if whatever Chairman Mao said is the truth as Lin Biao advocated. However, if this remark is the truth, "whatever he said is the truth" would become impossible. Due to many years of propaganda, this view has been ingrained; therefore, trying to set things right, solving these problems, and emancipating our thinking has become a very arduous task. This requires a certain process. Of course, we should also realize and notice that some people oppose our efforts to set things right because they are on the side of the "Gang of Four." But a large number of masses have no bad intention. They are against the "Gang of Four," but since they have had too much of this propaganda and have not paid much attention to their political study, they resent what we are trying to do now. Our RENMIN RIBAO has received many letters, especially from PLA soldiers, protesting: Don't attack people here and there by innuendo and stop doing such things. These comrades are good comrades. They do not necessarily think that Chairman Mao had made no mistakes. It is just that they can not accept this psychologically. We need to carry out propaganda steadily. Propaganda needs discipline, but what kind? It is very hard to say. It is a process. We cannot say certain things during a certain period; but after a while, it will be all right. Maybe we cannot say this today, but we will be able to say it after a certain period. Therefore, we need to advance steadily and help some people by working with them to change their thinking, but never hurt their feelings.

We should advance steadily not only in propaganda but also in all fields including democratic and reform issues. Old bad practices die hard. We now have so many problems which are forming not a pile but a mountain. So, when we sort out these problems, we can only work at a steady pace. We should not vacillate. Vacillation is no good. Don't vacillate, advance steadily. This is why we cannot discuss certain things now but we will be able to after a while. Take the issue of sham leftist and real rightist, for example. Some people say that this still has not been corrected, and I agree. When an article on this issue was first published, it was risky to talk about an issue which was considered a forbidden zone. Chairman Mao said himself that Lin Biao was an extreme rightist. The only way to indicate sham leftist, real rightist was by placing quotation marks around the word "leftist." You now say he was an extreme leftist, so now an unquoted leftist has come to mean sham, and a quoted "leftist" means real. Later after the situation developed, it was all right to talk about the extreme leftist line. Therefore, things are developing and ideological liberation requires a process. Eliminating the forbidden zone also requires a process. For instance, the Liu Shaoqi forbidden zone has

to be eliminated sooner or later and it will involve even more areas. Many people have already had too much of this. They say: We redress mishandled cases everyday. Why are there so many cases to be redressed? A large part of the masses think the same way. What do you think about their thinking? In a certain sense, their thinking is still under the pernicious influence of the ultra-leftist thinking of the "Gang of Four." In another sense, their thinking is lagging behind the situation. The situation has developed and the focus has been shifted, but they still stay in the past talking about things like taking the class struggle or this and that as the key link. So based on this point, their thinking is conservative. There are actually two common definitions for "leftists" and rightists as Chairman Mao pointed out. One definition is: One who emphasizes struggle, excessive struggle, is a leftist; one who lacks the spirit of struggle is a rightist. Another definition is: One who does things which should be done in the future, going too far, is called a "leftist", one who refuses to do things which should have been done and stays in the past is called a "rightist." Although practice has changed, many people with ossified thinking have failed to change their thinking along with the change of practice, so in this sense they are considered as conservatives who have fallen behind.

The Issue of Socialist Democracy Should Be Resolved

Many socialist countries have not yet resolved this issue. Failure to resolve this issue has caused many problems for the Soviet Union. What about us? We have not resolved it either. We always thought democracy was an issue of work style. For many years we advertised: Democracy is to let the people speak, refrain from bludgeoning and putting labels on people, and heed the opinions of the masses. We thought this was what democracy was all about. It is of course democracy but the major meaning of democracy should not be limited to this area. This formulation is to urge leaders to heed the opinions of the masses, let the people speak, and allow them to express their opinions. According to this formulation which is based on the viewpoint of the leaders', democracy is possible even in a feudal society. Due to the deep influence of feudal ideology, our discussion of democracy has been limited to how leaders should understand the people. An upright feudal official and a good emperor could be democratic if they accepted others' advice. Of course we hope that leaders are like this, but the question is what do we do if they aren't. Nothing. Now we have to correct this misunderstanding. First, democracy is the system of a country under which the people have the right not only to criticize but also to supervise, vote, recall, and etc. I attended the people's congress and felt that some progress has been made. At the congress, representatives criticized state leaders by name and those criticisms were sharp and unprecedented. Many representatives responded to the issue of personal privileges, which is a good phenomenon. However, all this is just preliminary. The important question is the principle of the Paris Commune. Before when we discussed the principle and experience of the Paris

Commune, people like Yao Wenyuan and Chen Boda always wrote articles to blame the failure on the lack of suppression on the enemy. Today when we discuss the principle of the Paris Commune, we concentrate on how to prevent leaders from changing from the people's public servants into the people's masters. The Paris Commune had two methods: one is general election and the other, the low-wage system. The low-wage system, under which leaders are paid the same amount of wage as workers, is not feasible today, but at least personal privileges should be eliminated.

We cannot expect "upright officials" to do all this for us. We have to rely on ourselves and fight. Whether it is economic reform, political democracy, or ideological liberation, there is always a fight and many things demand of us to get up and fight. This is a very important experience and lesson. If there were more comrades like Zhang Zhixin [1728 1807 2450] in the past, many things would not have been in such a mess. Zhang Zhixin was a hero of the socialist period and we need such an example. In the old days, things were simple. Whoever opposed the Kuomintang became a hero, of course, and whoever got shot became a martyr who will be remembered by the people. Under the new conditions, whoever has differing views becomes a revisionist who will go down in history as a byword of infamy and whoever opposes Mao Zedong Thought becomes a disgraced element of the three evils who cannot even gain the understanding of the people. It is not very easy to take this kind of mental pressure. None of us is mentally prepared for such a struggle in the socialist period. In the past, when we fought the Kuomintang and Japanese, we could easily tell right from wrong and we felt superior to our enemies if we died and became heroes. However, in the socialist period, since the party and leaders have high prestige, we always feel like we are wrong, wondering if we lack ideological consciousness, if we are wrong after all, and if we will go down in history labelled as a byword of infamy and humiliation. This indeed poses a mental pressure. So I said Comrade Zhang Zhixin was wonderful. She noticed the problems very early. She was also alone because at the time everybody else, not knowing the problems, was still talking about the "three bests" and the "red sun." Comrade Zhang Zhixin's criticism on Chairman Mao came from love and respect not vicious attacks. I heard that comrades of Liaoning Province decided to rehabilitate Comrade Zhang Zhixin after they read the documents of the ideological work conference and found that there were criticisms on Chairman Mao because Comrade Zhang Zhixin's criticism was not as serious as those at the ideological work conference. She was great because she was alone and many good comrades and people around her did not understand and opposed her. It was not easy for her to persist under such a circumstance. Zhang Zhixin was the vanguard of ideological liberation.

Ideological liberation is to free us from various kinds of ideologies such as idealism, old dogmatism, superstitions, and prejudice that prevent us from understanding

the truth so that we can seek and understand the truth freely and independently. The purpose of ideological liberation is to understand the truth and the criterion of truth is practice. As long as we recognize this rule, we would not have to worry about the problem of overdoing in ideological liberation. Today, we still need to liberate our thinking.

Some comrades asked me how to explain democracy as a means. If democracy is a means, so is dictatorship. We have no reason to belittle the importance of democracy just because we think it as a means. Is dictatorship a means? Yes, it is also a means. As Marx said, dictatorship is a medium to ultimately eliminate classes. If we can stress the means of dictatorship, why can't we stress the means of democracy? This is the first question. The second question is that a means and an end are relative and can be transformed. For instance, when we were opposing the Kuomintang, we fought for democracy which was our end; after we won democracy, we used it to build socialism and democracy became a means. At the present, democracy, I think, is both a means and an end because we still need to develop socialist democracy so we can use it to arouse the people's enthusiasm for the cause of the four modernizations.

On the Issue of Chairman Mao's Philosophical Thinking

How do we look at Chairman Mao's philosophical thinking? What are his contributions and shortcomings? I can only talk about it briefly because I am not prepared and don't have any reference materials. I can only say a few things based on my memory.

While discussing these issues, including Chairman Mao's theories on epistemology and contradictions, we should go far back to the philosophical difference between Chairman Mao and Stalin. Lenin wrote "Materialism and Empirio-Criticism" which was the first Marxist classic to discuss mainly epistemology. No book was devoted to the discussion of epistemology before then. However, this book is to resolve the issue of materialism and criticize idealism. It also talks about the dialectics of epistemology, but not much. It mainly answers questions such as what is primary and what is secondary. Later he began to write "Notes on Philosophy" and learned Hegel's science of logic. He finished writing outlines and introduced many thinkings. It looked like he was ready to write another book on philosophy, but he did not have enough time to do so. In his "Notes on Philosophy," Lenin had two Ideas: one is to summarize the gist of dialectics into the unity of opposites, thus getting to the heart of the issue, which however should be explained and expanded on; the other is to apply dialectics to the theory of reflection. In addition, he also said that the road to knowledge is from vivid perception to abstract thinking and then from thinking to practice. For a long time in the Soviet Union, Ideas like this failed to attract Stalin's attention. Since Stalin looked down on Hegel

and dialectics, for a long time the Soviet Union attached much importance to "Materialism and Empirio-Criticism" but did not give due attention to "Notes on Philosophy." Under Soviet influence, China also attached importance to "Materialism and Empirio-Criticism" and ignored "Notes on Philosophy." "Notes on Philosophy" is only notes not a book but it contains the embryos of many valuable ideas. However, Chairman Mao inherited and developed these ideas first by expanding on Lenin's remark on the unity of the opposites into an article, entitled "The Theory of Contradictions" and, second, by expanding Lenin's idea on the process of cognition into an article, entitled "The Theory of Practice." Chairman Mao's articles were written in 1937, and "The Short History of the Communist Party of the Soviet Union" was published in 1938. Stalin wrote one of the chapters, entitled "Dialectical and Historical Materialism" which exerted great influence and played a great part. This article expounds on the general guidelines of the tenets of Marxist philosophy in simple and clear language and carries a certain amount of weight. However, it also has several mistakes which I will not discuss at length today. One of the mistakes is, as everybody knows, that when he discussed the four characteristics of dialectics, he only mentioned that the struggle of opposites in contradictions pushes things to move forward. Lenin's original remarks were two sentences: one was "development is the identity of opposites" and the other was "development is the struggle of opposites." Stalin used only the second sentence and dropped the first one. Another thing about his article is that it did not give enough coverage to the issue of epistemology. As if epistemology is merely an issue of the knowability and unknowability of the world, he said that the materialism thinks the world is knowable and idealism thinks the world is unknowable. And that is all he said about the issue of epistemology. Earlier in 1937, Chairman Mao already elaborated on this issue; so it is in these areas that Chairman Mao inherited and developed Lenin's thinking and these are also Chairman Mao's contributions.

Lenin's original remarks on the process from vivid perception to abstract thinking and then from abstract thinking to practice later aroused some questions. For example, how many stages are there in the process of cognition? One group says there are two: one is perceptual and the other, rational. They say according to "The Theory of Practice," knowledge is perceptual in the lower stage and rational in the higher stage; so there are two stages. Another group says there are three stages, contending that rational knowledge is not the end of the process and that there should be another stage for the testing of practice, which is also what Chairman Mao said. Rational knowledge, which is only the half point in the process of cognition, needs to go back to the stage of practice. This is the continuous development of knowledge.

What is our answer to this question? Chairman Mao elaborated on this issue in his work "Where Does Man's Correct Thinking Come From" where he said that one

stage is from practice to knowledge and another stage is from knowledge to practice. In this sense, the process of cognition has two stages—one from the beginning of practice to knowledge and the other, the return of knowledge to practice. This is the development of Lenin's idea because according to Lenin the process consists of vivid perception, abstract thinking, and practice in that order. Since this puts practice at the end of the process of cognition, practice only plays the role of testing. In fact, practice is the foundation of the whole process of cognition; it is not only the beginning but also the end of the process. This shows the shortcoming of Lenin's formulation. In addition, since the process begins with perception, this theory is also acceptable to idealism. Lenin said that proceeding from perception, one may take the road of subjectivism leading to idealism or materialism. Therefore, we should say that the process begins from practice and that there are two stages between practice and knowledge: one is perceptual and the other, rational knowledge. This is my view. Knowledge should of course return to practice to be tested, but there are only two forms of knowledge: perceptual and rational. Are there any other forms? I say no. How can knowledge return to practice to be tested? It is simple. First we gain perceptual knowledge in practice and then elevate it to rational knowledge. Practice itself does not equal knowledge. For instance, the 10-year "Great Cultural Revolution" was a test for our basic line, or the theory of continuous revolution, and the theory of sharpening the class struggle. This 10-year period was used to test this theory. How? Like I said before, first we discovered through perceptual knowledge many wronged cases, economic problems, and lower living standards and then we elevated and combined many different kinds of perceptual knowledge, turned them into rational knowledge, and then concluded that the theory of sharpening the class struggle is wrong. When we review our experiences, we also use practice as the criterion for judgement which is formulated on the basis of perceptual and rational knowledge; therefore, as far as the form of knowledge is concerned, there are only two stages. In sum, we should affirm Chairman Mao's philosophical development and achievements. It is not right to ignore "The Theory of Practice" and stress only "Materialism and Empirio-Criticism."

Then, is Chairman Mao's philosophical thinking perfect? Of course not. For instance, I think "The Theory of Practice" also has insufficient areas or shortcomings. Here I will discuss only one question: what is perceptual and rational knowledge? According to "The Theory of Practice," perceptual knowledge reflects the appearance of things and is a stage of sense perceptions and impressions; after this stage repeats for several times, a sudden change will take place and form conception, judgement, inference, or rational knowledge, which reflects the essence of things. So perceptual knowledge is different from rational knowledge. One difference is that rational knowledge is conception and judgement while perceptual knowledge is impression and sense perception. Another difference is that perceptual knowledge reflects

appearance while rational knowledge reflects essence. This formulation is questionable. Does it mean that there is no concept or judgement in the stage of perceptual knowledge? Let me give you an example. I say this cup is white. Is this perceptual or rational knowledge? By saying that this cup is white, I reflected the appearance. But didn't I reflect any concept or judgement? The cup is a concept and so is the color white. That the cup is white is a judgement but this judgement does not reflect the essence of the cup. So I think there is conception and judgement in the stage of perceptual knowledge and we don't automatically understand the essence of things as soon as we gain concepts. Let's look at one of Chairman Mao's own example: The first part of the Chinese people's struggle against imperialism was the stage of perceptual knowledge and so was the long-term spontaneous struggle of the working class against capitalism. Were there any concept or judgement during that stage? Of course there were, but those concepts and judgements only reflected the appearance of things. We often use concepts and judgements in our daily life, but many of such concepts and judgements reflect only the appearance not the essence of things. So we cannot say that the formation of a concept automatically leads to the essence of things. Not necessarily. The difference between a concept and a sense perception is that the former masters the common characteristics and appearances of things and summarizes the common characteristics of things. Of course, essence can be reflected only by concepts, but this does not mean that all concepts reflect the essence of things. We now have many concepts. For instance, the concept of capitalism existed before Marxism, but then it did not reflect the essence of capitalism. The concept of the noun commodity existed long time ago, but it took economists several thousand years to study, from classical economics to Marx, before they finally understood the essence of commodity. Therefore, after a concept is formed, we usually have to go through a fairly long development stage before we can master the essence of things. For another instance, since the 1940's, there have been people reporting that they saw flying objects which did not look like airplanes or anything else. More and more people saw them but nobody knew what they were. So after failing to find their name after much research, we named them "flying saucers" which foreigners called "UFO—namely unidentified flying objects. Is this a concept? "Flying saucers"—unidentified flying objects—is a concept. But what exactly is this unidentified flying object or "flying saucer?" Is it sent by the people of another planet or an illusion? We don't know. We need to conduct research and prolonged studies and collect data before we can finally judge what exactly is a "flying saucer" and understand its essence. For still another instance, when did we learn the essence of men? Marx did. He said men's essence is the combination of social relations, so he grasped the essence of men. But, didn't the concept of men exist before then? Aristotle said men are rational animals and others said men are ...there were many concepts. Franklin said men are tool-making animals, which was affirmed by Marx. Therefore, the process of learning the essence of things is

much more difficult than that described in "The Theory of Practice." We don't understand the essence of things as soon as we obtain rational knowledge by eliminating the false and retaining the true in perceptual knowledge. Chairman Mao said after "The Theory of Practice" that some knowledge is incomplete and its oneness can be corrected through the test of practice; some knowledge is erroneous and its mistakes can be corrected through the test of practice. When he said correcting mistakes, he referred to mistakes in rational knowledge. It is thus clear that rational knowledge does not necessarily reflect the essence of things and that it needs to be tested in practice. Therefore, it is wrong to say that once a concept is formed, the essence of things will be reflected.

12302

Fudan Graduate Seminar Discusses Crisis of Marxism

40050341b Shanghai WEN HUI BAO in Chinese
7 Jun 88 p 4

[By Li Ling 2621 7227]

[Text] **The Question of Crisis in Marxist Philosophy**

Fudan University's first-term graduate students specializing in philosophy discussed Marxist philosophy in a recent seminar. Most of them agreed that in the development of theories in China, a so-called crisis actually exists in Marxist philosophy. As to the cause of this crisis and the way to overcome it, however, the participants had many different opinions.

1. Some were of the opinion that the so-called crisis in Marxist philosophy of the present age is caused by the current publication of textbooks on this subject. The system of Marxist philosophy according to these textbooks is mostly based on the old 18th-century materialism. The same traditional theory of knowledge is still used to explain some basic categories of Marxist philosophy, and the system used is based on a Soviet model of the 1930's. Therefore, the use of these textbooks in education obstructs further explorations in Marxist philosophy, and causes a stagnation in the study of Marxism. The only way to overcome this crisis is to get completely out of the entanglement with old materialism, and to search for a new starting point. In other words, we must study Marxism afresh in order to understand Marx and his philosophy.

2. The so-called crisis in Marxist philosophy of the present age can also be attributed to this cause: Marxism no longer enjoys its supreme position as a system of values and faith in people's minds. To overcome this crisis, we should combine our national cultural tradition with the latest ideological trend of Western philosophy and set up a new system of values and faith that is needed by Chinese people in order to eliminate the sense of an impending crisis.

3. After the beginning of the reform and the adoption of an open policy in China, people are more concerned with the economic activities which have a direct bearing on social development, and have the feeling that philosophy is too abstract and far removed from the realities of daily life. That is why philosophy has been neglected. To overcome this situation, we should liberate philosophy from the confines of its abstract form and take the road of philosophical application (such as application of the philosophy of management, philosophy of technology, and so forth), so that philosophy will be more closely related to the realities of social life. Philosophy will then be able to find its proper place in the present society.

4. The so-called crisis in Marxist is essentially a type of political crisis, or a conflict between the realities of social conditions and the old ideology. We must overcome this political crisis before we can remove the sense of crisis in philosophy from people's minds.

9411

More Security for Political Theorists Urged

40050342 Shanghai JIEFANG RIBAO in Chinese
8 Jun 88 p 6

[Article by Deng Weizhi [6772 0251 1807]: "Raise the Coefficient of Political Security for Theorists"]

[Text] If we say that our theoretical work is not rich or vivid enough, one of the important causes may be the low coefficient of political security for the theorists.

The position of theorists in China, as shown in a social cross-section, is not by means low. Some theorists did occupy eminent positions at certain times. Vertically and individually, however, they had their ups and downs. Their positions were even more precarious when "class struggle is taken as the key link." The situation, though much improved in recent years, is still by no means tranquil. Normal academic debates may suddenly be charged as indications of political dissidence and a good book just published may become the primary target of scrutiny. Because of the changes in the political climate, suspension of publication and sales, destruction of the printing plate, replacement of pages and so forth are common sights. In a certain year, for example, a theorist was invited to deliver a lecture. The script was examined in advance, the delivery of the lecture was warmly applauded, and people cordially shook hands with the lecturer. In a news report on this event, however, this theorist was accused of "opposing the CPC Central Committee." Again, when a certain theorist in Shanghai joined the "mass criticism" according to a unified plan, a tabloid with powerful backing accused him of committing the same mistakes which he himself criticized. The theorist and some others did not know whether they should laugh or cry.

Many of these examples can be cited by the comrades familiar with the situation of theorists. The difficulty of grasping a definite theoretical viewpoint and the frequent alternations of honor and disgrace for the theorists indicate a strong element of subjective will in the evaluation of scientific theories. This element is shown as follows: 1) The verdict of some famous person. Something is obviously incorrect; but it becomes correct simply because some famous person says so. It will become even more correct if some important person says the same thing. A word from a famous person carries the same weight of 10 from ordinary people. 2) The verdict of some important person. One word from an important person may start a new theory as well as eliminate an old theory. An important person's word carries 1,000 times the weight of one from ordinary people. Just in case there is any conflict between the famous person and the important person, that important person will prevail. Theories can only serve as footnotes to what important persons would say. "Truth is in direct proportion to people's official position." Once a person becomes an official, he will have no hesitation in clarifying his attitude on any issue as though there is nothing he does not know.

The phenomenon of "Important person's verdict" runs counter to the law of theoretical development itself. Practice, and nothing else, is the criterion of truth. Theorists' thinking should be dynamic. The more dynamic the thinking, the greater will be the theory's achievement. However, theorists need a tranquil environment. Lu Xun [7627 6598] sometimes kept the windows closed when he was writing in summer, lest the wind would disturb his paper and disrupt his thoughts. Natural wind disrupts only peoples' thoughts, but political wind with its terrifying effects causes even greater disruption. Theorists are not meteorologists and not specialized in the study of wind, and the frequently changing wind can easily destroy authoritative and outstanding theories. Bending with the wind should not symbolize the work of theorists. However, this type of "bending with the wind" is sometimes brought about under pressure or by allurements.

To eliminate chaos in evaluating social sciences, we should replace the "important person's verdict" with collective scientific confirmation. Famous or important people can express their views on theoretical achievements, but one word or one vote from them should carry the same weight as that from ordinary people. Everyone is equal before learning. In evaluating theories in the social sciences, we should rely on evaluation by the peers in addition to the views of famous or important people. Learning is highly specialized. Because of the branching out of disciplines, even capable persons can specialize in one or at most several fields, but not in all fields. Therefore, in evaluating a certain theory, we should first solicit the views of some person specializing in that field. The knowledge of famous or important people may be of a high level generally; but not necessarily in specific issues. If these people express their views honestly, their words may even be of less value than those of ordinary

people. The phenomenon of leaders acting as indisputable and almighty judges should be ended. The use of science as a political lackey should also be ended. The historical lesson of the "affirmation-negation-affirmation again" of Bhukarin deserves to be studied for ever. Nor can we forget the repeated changes in the evaluation of Hu Feng [5170 7364], Li Pingxin [2621 1627 1800], Sun Yefang [1227 0396 2455], and Deng Tuo [6772 2143]. Differences over academic issues mark the beginning of new academic developments, and academic debates serve as a cradle for the birth and maturity of new theories. Fear of dissident views means theoretical ignorance or lack of even the rudimentary qualifications for theorists.

Of course, evaluation from the peers cannot be frivolous. It would be best to have a rational system of standards. It is extremely difficult to discover linear relations in problems of social sciences; the difficulty is bound to be tremendous. However, the duty of theorists is to discover one linear relation after another from where such relations are not likely to be found. Similarly, in evaluating a theory whose mission is to discover linear relations, there should certainly be some linear relation to be discovered. (Bopu), Huhn, (Lakatuoshi), and (Fayierabende) all had their own standards of evaluation, and each of them held their ground for some time. In common language, these standards should be as follows: first, novelty of viewpoint; second, adequate basis; third, sound logic; and fourth, good social effects. Correctness or incorrectness should come last on the list, but we always list it as first. This sequence will make the task more difficult. Is the theory correct or incorrect? We usually check it against the version of the higher authorities, or with the conclusion reached in books. If it is the same, it is correct; but not otherwise. We have been hurt enough by this standard and procedure of evaluation. Several theories, such as the theories of market economy and commodity economy, now found to be effective, were introduced long ago; but they were repudiated. Furthermore, when the "theory of socialism in its initial stage" was first introduced, several active exponents of this theory were also criticized in an attempt to "kill a chicken as a warning to the monkey." Thus one or two chickens were killed to scare the monkeys into silence. That was how the atmosphere in the theoretical circles became so depressed.

I believe that in the future, as long as we have a scientific system and a rational procedure of evaluation, we can do a lot to eliminate the practice of criticizing people by name and repudiating new theories indiscriminately, and to increase the coefficient of political security for theorists. Thus we will be able to liberate and develop the spiritual productive forces. Some theorist with impeccable motives may exist; but very few of them can produce impressive work in an unstable environment. Furthermore, even brave men have to go through the process of growing up. The sense of security is always an important factor of human survival.

LIAOWANG on Problem of Juvenile Crime

Worsening Problem

40050322 Beijing LIAOWANG OVERSEAS EDITION
in Chinese No 24, 13 Jun 88 pp 9-10

[Article by Zhang Panshi [1728 3382 0099], Standing Committee Chairman and Deputy General Secretary of the China Juvenile Delinquency Research Society: "China Faces a Rising Rate of Juvenile Crime"]

[Text] China's crime rate, which is lower than the world's average, has always been comforting. In recent years, however, the ratio of juvenile crimes to other criminal cases in the country has risen and caused concern among people in all walks of life, even though these crimes in China are still far fewer than in Western countries.

Figures That Cause Concern

In the 17 years from the founding of New China to the eve of the "Great Cultural Revolution," the proportion of juvenile crimes in the total number of crimes was by no means high—only about 20-30 percent. However, in the 20 years following the 10 years of turmoil, the number of juvenile crimes has sharply increased. According to the statistics of relevant departments, the number of juvenile offenders during the 10 years of "Great Cultural Revolution" accounted for about 60 percent of the total number of offenders. Because of the pernicious effects of the "cultural revolution," the crime rate in the 3 years 1978 to 1980 soared throughout the country, and China's juvenile crimes also hit an all-time high. The number of juvenile offenders accounted for 70-80 percent of the total number of criminals in large and medium-size cities and 60-70 percent in rural areas. Following the relentless crackdown on crimes in 1983, the number of crimes dropped nationwide, and the proportion of juvenile offenders also dropped to 60.2 percent. Since 1984, however, juvenile crimes again began to rise—to 71.42 percent in 1985 and 72.47 percent in 1986; the rate in 1987 is yet higher than that in 1986..

Characteristics of Juvenile Crimes at Present Stage

Juvenile delinquency is a social problem worldwide. Common characteristics are extreme rashness, astrong gregarious instinct, susceptibility to enticements, all of which are antisocial tendencies. In addition to these general characteristics, China's juvenile delinquents also display some new special characteristics:

—Younger age. In Beijing Municipality, for example, 35.6 percent of the juvenile delinquents apprehended in 1985 were under 17 years of age. Many youths began their criminal activities at the age of 12 or 13, and the number of cases involving those between 14 and 17 years of age was the largest of all.

—Increase in violent crimes. Although juvenile crimes in the past several years consisted mainly of stealing, murder, robbery, rape, and other violent crimes have markedly increased. An important trend in juvenile violent crimes is the tendency for juveniles to commit multiple violent crimes as opposed to single violent crimes. In other words, there are more cases consisting of multiple violent crimes because juveniles are committing murder on top of robbery and rape in order to destroy the corpse and thereby evidence of the crime.

—Sophisticated technology is used in committing crimes. Along with the increased educational level of young people, a new situation characterized by the use of sophisticated and modern science and technology in juvenile crimes has emerged. In a counterrevolutionary murder and robbery case cracked in Shanghai Municipality in 1985, for example, the criminal not only manufactured a number of stun guns and "high pressure generator for daggers," but also planned to produce "poisonous gas bombs" for bank robberies.

—Clear signs of gang activities. The gangs of juvenile offenders now have a strong feudal flavor characterized by kowtowing and drawing blood in swearing brotherhood or sisterhood, assigning seats in order of seniority, and conferring titles.

—Increase in the number of female offenders, and the change from acting as accomplices to acting independently. Among the juvenile delinquents brought to justice in China in 1983, female delinquents accounted for only about 10 percent. This proportion increased to 18.64 percent in 1985. In the past, female juvenile delinquents usually acted in a subordinate capacity as accomplices to male offenders. Now they are acting independently or forming all-female gangs. In the case of the armed robbery committed by the "Five Oriental Monsters" who were later apprehended in a certain city, all five gang members were young girls under 18 years of age.

Reasons for the Increase in Juvenile Crimes and Countermeasures Adopted

The increase or decrease in the number of juvenile delinquencies are first of all attributed to the greater social environment at large. During the 10 years of the Cultural Revolution, social upheaval and the unhealthy atmosphere greatly increased the temptation to commit crimes including "attacking, smashing, and looting." When China adopted the open-door policy in 1978, advanced technology and equipment were brought in along with unavoidable influences of corrupt lifestyles and outlooks on life from foreign countries. Since China itself was already a breeding ground for crime, juvenile crimes tended to increase again in the past several years.

Viewed from another perspective, the increase in juvenile crimes also has something to do with the increased

proportion of juveniles in the total population. According to 1986 statistics, there were 330 million Chinese youths between the ages of 14 and 25. Because of the increased base figure, it is also normal for the number of offenders to increase.

The rate of juvenile crimes in China is high only in comparison with the low rate of the 1950's and early 1960's. In fact, compared with Europe and America, China has a rate of juvenile crime rate many times lower.

Nevertheless, people in all walks of life in China have paid much attention to this rising rate. China has now adopted countermeasures to reduce and prevent these crimes.

- Strict law enforcement and use of authoritarian means to deal relentless blows at serious offenders by the political and legal departments. Only thus can socialist punishment fully deter and force juvenile offenders to stop their criminal activities and turn over a new leaf. Dealing with serious crimes severely is also a profound and serious form of education about the legal system which will help the broad masses of young people learn about the law and abide by it more willingly.
- Education, rehabilitation, and reform for juvenile offenders. In dealing with juvenile offenders, we must consider their danger to society as well as their susceptibility to remodeling. Therefore, we must use education in various forms to correct their unhealthy thoughts and criminal intentions. The departments concerned in China have already noted this problem and adopted measures to run work-study schools and juvenile reformatories for rehabilitating and helping them through persuasion.
- Concern of the whole society's for the juveniles' healthy growth. First, with various means of social education, the government has perseveringly conducted education in morality, law, and discipline among the juveniles so that they will set their correct goals in life, understand the basic reason for living as human beings, cultivate the fine habits of abiding by the law and being disciplined, and preserving social ethics. Second, schools of all types and at various levels will make an effort to improve and perfect their management systems and teaching methods so that students can develop morally, intellectually, and physically. At the same time, the state has noted the need for research in the science of family education by, for example, establishing family education consultation agencies, and providing consultation services for parents to educate their children so that the parents can be truly responsible for their children.

Help juveniles solve various practical problems. Youth are at a stage of physical and psychological growth and starting families and careers. They need education, entertainment, and occupation beside love and marriage. Therefore, if conditions permit, society should try

to solve their practical problems. If some of these problems cannot be solved right now, we should still give clear explanations to youth so that they can understand the difficulties of the state and society.

- Clean up cultural environments. Every youth lives in a certain cultural environment. Fine social and cultural environments have an important bearing on the healthy growth of young people. However, in the social and cultural environments of many young people, some negative phenomena still exist. For economic gain, some publication departments have turned out pictures, books, and magazines with obscene, absurd, and unhealthy contents. All these have a corruptive effect on the naive juveniles. To purify the social and cultural environments, the public security, culture, and publication organs must strengthen their control over the culture market, prohibit smuggling of cultural materials, and make persistent efforts in confiscating vulgar literature and obscene publications. At the same time, they should pay attention to social benefits and supply young people with more positive and wholesome spiritual nourishment.
- Strengthen youth protection legislation and safeguard the interests of young people with laws. Chinese authorities in central and local governments, are now gradually setting up an elaborate system of statutes to protect the healthy development of young people.

Legal System for Handling of Delinquents

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in Chinese No 24, 13 Jun 88 p 11

[Text] China's basic judicial system for young people may be said to have taken a "social, judicial" form. One of its special characteristics is that many parts of society participate and assist in educating juvenile delinquents, while the state's judicial organs keep intervention to a minimum. This is dictated by China's national traditions and social background.

Administration of justice for youths covers two areas: lawbreaking and criminal acts. Juveniles who commit illegal which do not call for re-education through labor are eligible for nonjudicial education. The measures for nonjudicial education are as follows: 1. Social assistance—a measure that mobilizes social forces to help educate and rehabilitate misguided youths. This measure is mainly intended for juveniles who have broken the law or committed light offenses, and those who have gotten into bad habits which later lead to crimes. The most common social help of this kind is from the assistance and instruction working group, composed of work units, neighborhoods, citizens' watch groups, households, and schools. Together these groups each assume a share of the work, decide on methods to be used, adopt measures, and collectively assist and help youth. There are now several tens of thousands of these

groups in Chinese cities. 2. Work-study schools. These are special schools for educating and helping misguided youths who have broken the law or committed light offenses. The youth are secondary school students who should not remain in their original schools, but are not required to be reeducated through labor. These schools are not under the judicial system.

The number of lawbreaking youths receiving social help and education and entering work-study schools is far larger than those being dealt with by the judicial authorities. It is precisely in this sense that the judicial system for youths in China is said to be a "social, judicial" form. From this, we see that the basic characteristics of China's juvenile judicial system are to reduce judicial intervention, enlarge social education, and include the judicial system for youth in the overall strategy of "general control" which is part of a general program to deal with lawbreaking illegal or criminal acts of juveniles, and to foster their healthy development. Specifically, the method used is to "decide each case individually." For the very few who have committed serious crimes and need education through labor, there will be punishment according to the law or re-education through labor so as to turn the negative factors into positive factors. This action is under the judicial category. Treatment for lawbreaking of a general nature does not belong to the judicial sphere, but rather to that of social education. The policy used is "general control," meaning the use of judicial, administrative, educational, and economic means as well as welfare measures in dealing with juvenile delinquents and in making them useful for social construction.

Juvenile cases are generally handled according to the following procedures:

First, the public security organ of the people procuratorate files the case within their jurisdiction, and then proceeds with their investigation. The investigation usually consists of interrogation of witnesses and the accused, the collection and checking of evidence, investigation of various related circumstances, and, if necessary, searching the bodies, articles, residences and other relevant places of those who may be concealing the offenders or withholding criminal evidence. During the stage of investigation before trial, the task is to publicize the offense in accordance with the law, to prove the crime, and to correctly identify the perpetrator of the crime.

After the investigation when the people's procuratorate feels that the facts concerning the criminal offense of the accused have been thoroughly investigated, that the evidence is conclusive and sufficient, and that, according to law, the accused should be prosecuted, and a decision on his indictment should be made at the people's court on behalf of the state. The people's procuratorate may decide not to press charges if punishment is not required or is exempted for the offense according to the stipulations of criminal law.

Investigation and trial of juvenile offenses will be gradually turned over to specialized organs or persons in the large and medium-size cities. Cases of juvenile offenses in China is now conducted by the criminal tribunals of ordinary courts. According to the "Law on Criminal Procedures of the PRC," all cases involving offenses committed by persons between the ages of 14 and 16 are not heard in public. Generally, the same rule applies to cases involving persons between the ages of 16 and 18.

The capacity for action and the intellectual level of minors are weaker than those of adults. Therefore, in the trial of criminal cases involving minors, it is particularly important that their rights of litigation be protected. Article 10 of the Criminal Procedures law stipulates that in the inquiry and trial of criminal cases in which the offender is under 18 years of age, the legal representative of the accused may be notified to appear in court. Article 27 also stipulates that when the accused, who is a minor, has not entrusted his case to an advocate, the court may appoint one for him. Under these stipulations the accused can let his representative and defender exercise the proper rights of litigation on his behalf, present his case, and make legitimate demands to the judicial organs.

For the punishment of minor offenders, the principle of meting out lighter or mitigated penalties is upheld. Article 14 of the Criminal Law stipulates that offenders between 14 and 18 years of age should receive lighter or mitigated penalties. Offending minors under 16 years of age who are not punishable should be placed in the charge of their parents or guardians. If necessary, they may be taken into custody by the government for re-education. Article 44 also stipulates that death penalty is unsuitable for people less than 18 at the time of the crime. A person between 16 and 18 years of age who has committed a particularly serious offense may be sentenced to death with a 2-year reprieve.

Under appropriate conditions, probation may be declared for juvenile offenders serving a sentence of less than 3 years in order that they will not be cut off from society, and may receive supervision and help in the units or grass-root organizations to which they are sent. If they do not commit any new crimes during the probation period, the sentence will be suspended.

The juvenile offender serving his sentence will be sent to prison or the labor-reform team for supervision and remolding. Those between 14 and 18 years of age will be educated and remolded in the "juvenile reformatory" or the work-study schools.

In the "labor-education reformatories" set up in accordance with the "Decision Concerning the Question of Labor Re-education," the inmates between 16 and 18 years of age are grouped together and organized into separate teams for control and education.

The organs have made great efforts, and achieved fairly great success, in educating and remolding the juveniles who have broken the law or committed crimes. According to incomplete statistics, the rate of repeated crimes among juveniles in China has dropped down to 10 percent.

The judicial system for youths in China has achieved great success in combating juvenile crimes as well as in educating, helping through persuasion, and redeeming the erring youths. However, further improvement of this system is still an arduous task for China.

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Criticism of Bureaucratic Red Tape

40050396B Nanchang NANCHANG WANBAO in
Chinese 25 Apr 88 p 3

[Article by Kui Hu [6652 5706]: "Jokes That are Hard to Find Laughable"]

[Text] In the boundless universe there is no end of strange things. When jokes get to be such that one finds it hard to laugh, they will make people sigh and ponder. One example is the recent newspaper report about a case of "contracting" for the affixing of official seals."

That report said: In Bujun County of Guizhou Province, a certain engineer started a project, but even after he had had over 170 official seals affixed to the project, the matter was far from settled, which seriously delayed start of work. He finally felt compelled to "throw a decisive punch;" he "contracted" with seven cadres for the bothersome business of affixing more of the required seals. This was surprisingly successful: in 40 days they affixed over 270 further seals. For this, people praised him as getting on at "Shenzhen speed." It could possibly lead to some people going in for the business of "seal affixing specialized households."

I think if handling official business requires affixing certain official seals, one may say it is still within reason, but if the "amount" of it reaches surprisingly 3-digit

figures, the seriousness of bureaucratism and the overlapping of government agencies has reached a peak. Although this matter well qualifies to be entered among "world records," it is actually funny but in a way one finds hard to laugh at (in his days, Ah Q only made a circle as his signature). This is one case.

Next, there is the so-called "Shenzhen speed," which is a synonym for "modern efficiency," and which is absolutely incompatible with dilatory workstyle, but we now have to do something to cope with the old yamen-style habit of leaving "facts unclear and principles in confusion." But it really appears somewhat like not trying to install an electronic propulsion unit on an ox cart. Though it is funny, one finds it hard to laugh at. This is the second case.

And again, if this engineering project indeed required over 400 official seals to be affixed, wouldn't it speed things up to make it the "assembly line" way? Why bother seven cadres, humble yourself in all directions, and beg the favors of a bunch of old men and women? Scenes and sights like these are of course screamingly funny, but still one finds it hard to laugh at it. This is the third case.

One could go on listing cases 4, 5, and 6, but since they will not be found laughable, we will not present coarseness as being funny. The important thing is that in this situation when one does not know whether to laugh or to cry, one should ponder these matters very seriously.

Thus the fact is: bureaucratism, overlapping of government agencies, and the workstyle of arguing back and forth have reached unbearable proportions. Simplification of government organization, structural reform, and transfer of functions have already been placed on the agenda. If these matters are neglected and ignored, if the fearful are not faced with fear, the whole reform will become empty words, even the China's existence will not be assured, and this is certainly not a false alarm!

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FOREIGN TRADE, INVESTMENT

Outline for Development Strategy of Export-Oriented Economy

40060405 Chongqing GAIGE [REFORM] in Chinese
No 3, 10 May 88 pp 51-55

[Interview With Huan Xiang 1360 6763, an expert on international issues, by staff reporter Xue Xiaohu 5641 1420 0735: "The Situation of the World Economy and the Development Strategy of Export-Oriented Economy"—first paragraph is source-supplied introduction.]

[Text] The Party Central Committee and the State Council recently made an overall plan for the economic development strategy of coastal areas, and this overall strategic plan was proposed in light of the general international environment. In order to conduct a thorough study of the current international environment and its influence on China's economy and effectively implement the development strategy of the export-oriented economy, we interviewed Comrade Huan Xiang, general secretary of the International Issue Research Center of the State Council and a noted expert on international issues. The following is a report on the questions and answers between our staff reporter and the revered Comrade Huan.

Recession Will Not Occur This Year but Will Occur After Next Year

Question: There have been many discussions about the current situation of the world economy. Many say recession will come soon; others disagree. What is your assessment of the current world economy?

Answer: As far as the current economic situation of the capitalist world, I think recession will not occur in 1988 but the economic growth of the United States will slow considerably. Except for Japan, other developed countries are not likely to have high growth rates either.

After 1989 the world economy will eventually plunge into a recession. Unlike any recessions seen in the past, this one will be long, slow-growth, deep, and hard to recover to the previous level of prosperity. It will be a special form of long depression.

Why do I make such a prediction? There are several reasons. First of all, a recession will not occur in 1988 because under the intervention of the U.S. government, the U.S. economy has not exhausted its potential and will be able to continue a slow growth rate (about 3 percent) for a period of time and especially because 1988 is an election year in the United States. During the 200 years of U.S. history, only once did an economic recession occur in an election year. All administrations usually tried in every possible way to keep the economy growing in the general election year, and the Reagan Administration certainly will not fail to do the same.

Why do we have to judge the current and future economic situation of the capitalist world on the basis of the U.S. economy? Because the United States is currently the largest market in the world. With over \$300 billion of imports and over \$250 billion of exports, the United States is a huge, \$600-billion-a-year market, irreplaceable today by any country in the world. Also, each year the United States absorbs a huge amount of floating foreign capital because its relatively stable political situation at home has created a superior condition for absorbing foreign capital, which is another reason why it is irreplaceable by other countries.

The United States is now faced with three big problems—fiscal deficits, trade deficits, and huge debts—and its industrial products have become much less competitive on the international market. In spite of all the measures it has taken, such as devaluation of the dollar and protectionism, it still cannot solve the three big problems. According to estimates, it will take at least 10 years for the U.S. economy to restore its competitiveness on the international market. Before then, the United States will unavoidably plunge into a chronic, slow-growth depression. It will then be forced to restrict imports and adopt necessary measures to lower the man-made high exchange rate of the U.S. dollar so as to improve its conditions for international competition. This will force those countries, which have always relied on the U.S. market, to make adjustments in accordance with these strict measures of the U.S. economy, which is of course not easy. I predict that high economic growth of the capitalist world will be very unlikely during the period of the economic readjustment of the United States.

Why Is This Crisis Long, Deep, and Hard To Recover From?

Question: You predict that the crisis, which will occur after 1989, will be long, deep, and hard to recover from. Could you please explain the meaning of the three adjectives?

Answer: The prediction that this crisis will be long is based on four reasons. First, after years of development, capitalism has accumulated much experience in dealing with economic crises and developed many measures to cope with such crises. Although these experiences and measures cannot eradicate the morbid conditions of capitalism, they can more or less reduce the scope of the crisis and ease the shock caused by it. Because of this, this upcoming crisis will not be as large in scale as the one that occurred in 1981-1982.

Second, by exercising greater economic intervention, the governments of capitalist countries support their economies with national strength and thereby prevent the development of a fast, explosive economic recession and crisis.

Third, since the world economy has become truly global, the interests of all capitalist countries are linked; therefore, in spite of acute competition among them, during an emergency or when the interests of all countries are threatened, the governments will consult with each other and work together to come up with a remedy to the crisis. These remedies will distort the original economic cycle and head off the explosive crisis.

Fourth, after decades of development, economic organizations and structures are much different than those in the 1929-1933 period. As far as capitalism is concerned, they are more perfected. For instance, industry, trade, and finance, which have each formed a system of their own, are interconnected and independent systems. This is why last year's stock market crash did not lead to an industrial recession.

As I said before, this upcoming crisis will be deep and hard to recover from. The reason is that today's United States is not the same as it was during the crisis of the 1981-1982 period.

Then the United States was a very large market. Now it still is the largest market of the world, but this market and its scale have become very difficult to maintain.

Then the dollar was very strong—1 dollar was equivalent to over 260 yen or over 3 marks. Now 1 dollar is worth less than 130 yen or less than 2 marks.

Then the United States had \$150 billion in overseas assets. Now with over \$400 billion in debts, it has become the world's largest debtor nation.

Due to these reasons, the world economy will witness a long, deep, and hard-to-recover-from economic recession after 1989. How long the recession will last depends on how fast the U.S. economy recovers.

The International Environment of the 1950's and the 1960's Was Like a Fast Train Heading Toward an Economic Takeoff

Questions: People say that we missed the chance of development the international environment of the 1950's and the 1960's gave us and that we must not lose the present opportunity. Could you analyze the international environment of the 1950's and the 1960's?

Answer: In the 1950's and the 1960's, the whole capitalist system was on the rise. The causes for its rise were: 1) The purchasing power gained during World War II played a part. 2) A number of new technologies and inventions were widely used first in the U.S. industry and then popularized in other developed capitalist countries, stirring up an investment fever for the innovation of equipment in capitalist countries. 3) The Korean and the Vietnam wars stimulated demand, causing the economies of the Asian-Pacific area, especially Japan, to soar.

The international environment was like a fast train that could take everybody to an economic takeoff. Since the 1960's, in addition to Japan, the so-called "four little dragons" of Asia have also caught up one after another with this fast train which we missed for reasons you all know very well.

Question: In the mid-1950's, the foundations of China and Japan were similar, but why did we lag behind while the Japanese economy soared?

Answer: That was because: 1) Japan had better basic industries which were not badly damaged during the war; 2) Japan had a good education system and workers' average quality was higher; 3) Japan had stimulation from the Korean and the Vietnam wars; 4) Japan had U.S. help; 5) Japan chose a correct direction and policy of economic development; and 6) Japan (and West Germany) did not have the heavy burden of military expenditures.

So, Japan got on the fast train and its economy grew rapidly while we were busy with the "Great Leap Forward" and the "Great Cultural Revolution." By concentrating on the class struggle, we lost a golden opportunity.

Today's International Environment May Benefit Us Locally but Not When the Overall Situation Is Concerned

Question: Compared with the international environment of the 1950's and the 1960's, is the situation of the world economy at the present and in the near future favorable to China's economic development?

Answer: The present situation of the world economy is favorable to us in some areas but unfavorable in others. As far as the overall situation is concerned, it is unfavorable to us because capitalism is now declining whereas it was rising in the 1960's. We do not have the "locomotive" of the 1960's that could help everybody take off. The United States has been disqualified for the role of the locomotive while Japan and West Germany are unwilling and unable to assume the role. The future economy of the capitalist world depends, to a very large extent, on whether or not and how much the U.S. economy will improve and on the situation of U.S.-Japanese economic competition. In other words, it depends on the next 5 to 10 years.

Judged from a local point of view, all developed capitalist countries are carrying out industrial restructuring which is focused on the upgrading and updating of industry and technology transfer. They are trying to move the so-called "chimney industries" to underdeveloped and developing countries so that they can concentrate on the development of high-tech industries at home. This may be favorable to us. Upgrading and updating is a process of 10 to 20 years. We may seize this opportunity to import some technologies and equipment useful to China to help accelerate China's economic

development. However we should also realize that transferable technologies could not be very advanced. We could only choose to import some intermediate technologies or technologies applicable to both military and civilian industries.

To assess the present situation of the world economy, we should also consider political factors. Due to some political reasons in addition to commercial ones, the United States and Japan are not very willing to help us financially or in technology. They are reluctant to make large amounts of direct investments in China or transfer technology to China. There are many concrete reasons. For instance, they are afraid that we may develop and become their economic rival; they are very worried about China's bureaucracy; they are very unhappy about the fact that profits earned on the China market cannot be sent back to their own countries, and etc. So, instead of China, they would rather give first consideration to South Korea, China's Taiwan Province, and ASEAN countries and areas when they choose a country to make investment in or move their industries to. We must have a clear understanding of this fact.

Using Labor-Intensive Industries as a Breakthrough of Export-Oriented Economic Development Is Impractical

Question: Some time ago, somebody suggested that we should use labor-intensive industries as a breakthrough in the development of the export-oriented economy. What is your opinion on this issue?

Answer: To develop our economy, we should take the export-oriented road and participate in international economic cooperation and competition. This is completely correct and absolutely necessary. The question is what is the direction of the breakthrough.

Now some people suggest that we use labor-intensive industries as the breakthrough, but I think that that is not very practical.

First of all, labor-intensive industries usually refer to clothing, textile, tanning, toy, and sundry industries which need a lot of labor, require only simple techniques, and create little added-value. Their products are referred to as traditional labor-intensive products which account for only a small percentage of the total volume of international trade (about 30 percent). In other words, their market demand is limited.

Second, labor-intensive products are very competitive and South Korea, Taiwan, and ASEAN countries for instance are strong competitors.

Third, trade conditions are strict. We should guarantee quality and time for delivery and unclog marketing channels. Compared to our competitors, we are rather weak in these areas.

Fourth, America and Europe are the biggest markets for these products, but they have taken restrictive measures against us, making it very hard for us to enter their markets.

In short, using labor-intensive industries as a breakthrough is okay if it is one of the methods, not the only method, of breakthrough. We should never rely on it to achieve the goal of \$120 to 180 billion of foreign exchange earnings 7 years from now. I even believe that the ability of traditional labor-intensive products to earn foreign exchange will diminish as each day goes by. Therefore, in addition to traditional labor-intensive products, we should find some other reliable ways.

To open up an avenue for the export-oriented economy, we should first consider developing some high-tech plus labor-intensive products such as the floppy disks of computers and the magnetic heads of radio-recorders. These things require not only high technology but also a lot of labor at the present stage.

Second, even traditional labor-intensive products need to improve quality and reduce cost, which requires that we improve our existing equipment through computers and upgrade the average quality and professional ethics of our general workers.

Third, we should develop high-tech products. In this regard, we are not in a disadvantaged position. Many of our inventions and discoveries have won international awards. The problem is how to get these inventions and discoveries out of the laboratory as soon as possible and turn them into commodities of mass production for the international market. If only we can solve the problem of commercializing our S&T achievements, we will be able to come up with a series of new energies, new raw and processed materials, and new products and use their novelty to gain an edge during international economic and technological cooperation and competition.

Fourth, we should use China's cheap labor to bargain for foreign cooperation in the production of spare parts, accessories, and fittings for it could help improve some of our technologies and increase our exports.

Fifth, we can invest in overseas enterprises and expand China's import and export businesses through such channels.

These are some measures I came up with for now. We should pool the wisdom of the masses and gather more measures for expanding exports and entering the international market so as to raise our position in the world economy.

In addition to export goods, imports also constitute an issue in the export-oriented economic plan. We advocate "high-volume imports and exports," but there are restrictions for high-volume imports not to mention the many restrictions for high-volume exports which we

have already discussed before. A few years ago, whenever there was a rumor saying that China or the Soviet Union wanted to buy a certain kind of raw material or semi-finished product, be it grain, steel, or iron, its price would go up on the international market. Since we have a limited reserve of foreign exchange and our export channels have yet to be explored, I do not agree with the proposal of "high-volume imports and exports" which is ambitious all right but not practical. I think we would be better off to play it safe.

**"Both Ends Abroad" Cannot Have Middle
"Obstruction"**

Question: What issues deserve our attention at home in the development of the export-oriented economy?

Answer: To develop international economic and technological cooperation, the most fundamental issue is, as far as we are concerned, our domestic reform. Aren't we advocating "both ends abroad?" Where do we begin to develop the export-oriented economy if both ends are abroad while we suffer indigestion in the "middle" or "intestinal obstruction?" To really realize "both ends abroad," we must do a good job in the "middle" link, enliven it, and make it efficient. This calls for immediate reform of existing economic and political systems; otherwise, it would be impossible to realize and develop the export-oriented economy. In China, many things, which seem to be beneficial, always turn out to be different at the end because of the obstruction of the systems. Due to these reasons, economic and political systems must be reformed. Without such reforms, acting in accordance with international standards would become an empty talk and we may once again miss the opportunity created by the present international environment.

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AGRICULTURE

Method for Developing Fisheries, Stabilizing Prices

40060382a Beijing JINGJI RIBAO in Chinese
26 May 88 p 2

[Article by Jin Jun 6855 7846: "Develop Fisheries and Stabilize Fish Prices"]

[Text] Aquatic products were one of the earliest agricultural commodities to be deregulated in China. After assigned procurement quotas were eliminated and market regulation was enacted at the beginning of 1985 the gross output of aquatic products increased by one million tons per year during the next three years. Market supplies have been ample, the vast majority of cities have received fish shipments daily, and it has been easy for people to buy fish.

But several new situations and problems have arisen in the course of reform, including most notably a large-scale sustained increase in fish prices (primarily for saltwater fish). This has led to dissatisfaction on the part of consumers, particularly low-income consumers. The departments concerned have taken some steps to bring this situation under control. In 1987 they instituted a price ceiling on the most abundant saltwater fish—the winter hairtail. However, this produced very little effect. The key to controlling fish prices is to increase supplies. Why is it that, although the supply of aquatic products has grown by over one million tons per year in recent years, fish prices continue to increase? The growth in output over the past few years has arisen primarily from inland freshwater breeding and coastal fishing. Production from freshwater breeding programs has risen by over 500,000 tons per year for the past three years—an average annual growth rate of 24 percent. This can certainly not be considered slow growth in fishery production. But because the customary method has been to stock the breeding ponds in spring and harvest the adult fish in winter, sending them all to market at once, fish have long unavailable or scarce at market in the spring, summer, and fall, and fish prices then rise, particularly from May through August. And in saltwater production, some fishing grounds are located in protected zones where fishing is prohibited. Thus market supplies grow even scarcer.

To resolve this problem we must begin by reforming the fish breeding system. We must change the spring stocking and winter harvesting system, in which the fish mature once a year, to a system of cyclical stocking and harvesting by turns, so that fish mature several times throughout the year. We must open up the fish production season to ensure that fish supplies go to market in a more balanced fashion. In recent years some good signs have begun to appear in the process of reforming the breeding system. For example, in order to alleviate the conflict between supply and demand, in the past two years breeders in Suzhou have considered the patterns of change in aquatic plant and animal life and consequently altered their fish breeding program. In the past they only stocked year-old fingerlings, which could then be harvested only once each winter. Now they raise one and two-year-old fingerlings together. They stock them once and harvest them at different times, catching the larger fish and leave the smaller ones behind. They have also made corresponding changes in their fishing gear and methods and readjusted the fishpond rotation arrangement. This has both accelerated production development and achieved a situation in which "when others are raising fish, we are harvesting them, and when others have no fish, we do have them." Producers have made use of seasonal price variations—one jin of fish can increase income by 30 percent. Second, we must advocate concentrated breeding, particularly raising fish in corrals and net pens in medium and large bodies of water. This method is characterized by a high percentage of marketable products, a large volume of commodities, a high percentage of top quality fish, no competition

with agriculture over land, and the possibility of periodic stocking and harvesting. Live fish can be stockpiled, so they can be marketed as soon as the need arises.

Looking at the saltwater fishing industry, in the past two years it has increased production by 400,000 tons per year, but sources of the traditional commercial fish that people prefer and that have always supplied medium and large cities—such as large yellow croakers, little yellow croakers, and hairtails—are declining. The large-capacity, far-ranging mass fishing boats that account for 80 percent of our marine fishing output are old and outmoded, and fishing gear and methods are unsophisticated. The vast majority of our catch is composed of small fish and prawns that are poor in both quality and value and that are difficult to preserve, process and ship. Most of the catch is suitable only for nearby markets or for use as fodder, and thus it is difficult to satisfy urban demand. Faced, as we are, with this situation in the fishing industry, we must apply ourselves in three areas: 1) We must continue our vigorous efforts to protect resources, control the indiscriminate proliferation of fishing boats, develop fish and prawn propagation and stocking, stock artificial fishing reefs, improve the aquatic ecological environment, prevent the further deterioration of coastal resources, maintain a certain ratio of the primary commercial fish species in our total output, and strive to rejuvenate the fishing industry. 2) We must focus on renewing and upgrading technological equipment for coastal fishing, particularly on the nearly 20,000 existing heavy-tonnage, high-horsepower fishing boats. We must coordinate replacement, improving on-board preservation facilities and outfitting boats with advanced fishing and navigation instruments and innovative nets. And we must also include base-port docks and refrigeration, cold storage, processing, and packaging assemblages. In 1987 Guangdong focussed intently on this area and made an excellent step forward by upgrading more than 2,000 boats in one year. However, this effort requires inputs of essential funding and materials and proper technical guidance. The funding requirement, especially, is considerable. In addition to relying on funds raised by fishermen themselves, this move requires state loan assistance. 3) We must use deep-sea fishing to supplement coastal fishing, thus opening up new marine resources. China's deep-sea fishing industry is already underway. As of the end of 1988, we project that the number of fishing vessels operating overseas will increase to more than 100. Much to consumers' satisfaction, in recent years these vessels have shipped more than 2,000 tons of fish to Beijing, Tianjin, and Shanghai. In the future, if conditions are favorable and foreign exchange stabilizes, they plan to ship more fish suitable for domestic consumption. Of course, deep-sea fishing requires significant input and poses considerable risks, and it also requires favorable state policies. At the same time, we can also make use of a portion of the production capacity in our coastal fishing industry to build and repair fishing boats and process aquatic products overseas. We can then ship these goods into China to compensate for our labor

expenditure, increase market supplies, and alleviate the inadequacy of coastal resources.

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Anhui Livestock Output

40060512d Hefei ANHUI RIBAO in Chinese
22 Jul 88 p 1

[Excerpt] In the first half of 1988, Anhui Province removed 4,833,000 hogs from inventory, a 0.9 percent increase over the same period in 1987. The number of hogs in stock totaled 12,809,000, a 9.7 percent increase over the beginning of 1988, of this amount the number of sows totaled 731,000, a 10.4 percent increase. In the first half of 1988, Anhui sold and slaughtered 322,000 cows, a 61.8 percent increase over the same period in 1987; and 1,348,000 lambs, a 29.1 percent increase. The number of draught animals in stock totaled 5,107,000, a 1 percent increase over the beginning of 1988; and there were 3,462,000 goats, a 14.1 percent increase. In the first half of 1988, pork, beef, and lamb output was 416,000 tons, a 7.3 percent increase over the same period in 1987; of this amount beef output was 36,000 tons, a 63.2 percent increase.

Hebei Cotton Area

40060512b Shijiazhuang HEBEI RIBAO in Chinese
27 Jul 88 p 1

[Excerpt] Hebei Province has sown 12,870,000 mu to cotton, an increase of 500,000 mu over 1987. The area sown to oil crops is expected to reach 9.5 million mu, an increase of 100,000 mu over 1987. In the first half of 1988, the number of pigs in stock totaled 12,790,500, an increase of 287,600 head over the same period in 1987.

Jiangsu Sets Up Agricultural Fund

40060433a Nanjing XINHUA RIBAO in Chinese
3 May 88 p 1

[Article by Liu Guangping 0491 0342 1627: "Let Industry Build Up Agriculture; Gather Support From All Sides; Stabilize the Agricultural Sector: Jiangsu Province Raises 490 Million Yuan For the Agricultural Fund"]

[Text] Jiangsu's rural economic organizations at all levels have been actively raising money for the agricultural fund to promote the stable development of agriculture. By the end of 1987, the province has raised 490 million yuan, of which, 395 million yuan, or 81 percent, has been raised in 1987 alone.

To institutionalize and legitimize the all out effort to develop agriculture and to ensure its steady growth, Jiangsu province has set up an "Agricultural Construction Fund" in 1986. The main sources of funds are as follows. More than 193 million yuan, or 39.6 percent, have come from township enterprises; 178 million yuan, or 37.3 percent, from the village cooperative economic

organizations; 8.72 million yuan have been accumulation funds turned over by the economic syndicates, specialized households, and individual industrial and commercial households. In addition, there are land use compensation fees, bonus tax rebates, and some other agricultural funds, totalling 69.13 million yuan. Statistics show that, by the end of last year, 322 million yuan of this fund have been put to use in the province. Among the expenditures: 75.93 million yuan have been spent on repair and construction of agricultural water conservancy facilities; 28.99 million on establishing an agricultural services system; 6.92 million yuan on infrastructure construction investments to facilitate commodity production and circulation; 26.09 million yuan on the promotion of new technologies and investments in experimental farms to modernize agriculture; 15.48 million yuan on investments to develop land resources and improve land-use, and 42.01 million yuan on subsidies for commercial agricultural products. Putting the agricultural fund to these uses will guarantee a steady increase in Jiangsu's grain, cotton, and oil production.

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Jiangxi Summer Grain Storage

40060513a Nanchang JIANGXI RIBAO in Chinese
20 Aug 88 p 1

[Excerpt] As of 15 August, Jiangxi Province had put 547,580,000 kilograms of summer grain in storage, fulfilling 27.4 percent of the annual task.

Liaoning Grain Area

40060512c Shenyang DONGBEI JINGJI BAO in Chinese 19 Jul 88 p 1

[Excerpt] Liaoning Province has sown more than 46 million mu to grain and soybeans, a slight decrease from 1987. The area sown to rice has increased from 8 million mu in 1987 to 8.48 million mu; the corn area has increased from 20,110,000 mu to 20,150,000 mu; and the sorghum area has increased over last year's 6,720,000 mu. Projected grain output is between 13 to 14 billion kilograms.

Liaoning Hog Prices

40060512e Shenyang LIAONING JINGJI BAO in Chinese 21 Jul 88 p 3

[Excerpt] In the first half of 1988, the procurement price for hogs in Liaoning Province was 2.73 yuan per kilogram. In May, the procurement price was 3.00 yuan per kilogram, an increase of 12.8 percent and 7.1 percent over the preceding two months.

Inner Mongolia Crop Area

40060512a Hohhot NEI MENGKU RIBAO in Chinese
11 Jul 88 p 1

[Excerpt] As of 20 June, Inner Mongolia had sown 66,531,000 mu to various crops. The area sown to wheat

was 15,041,000 mu, an increase of 1,224,000 mu over 1987. The area sown to rice was 641,000 mu, an increase of 100,000 mu over 1987. The area sown to oil crops increased 1,030,000 mu and the area sown to sugar crops increased 419,000 mu over 1987.

Inner Mongolia Seeks Market for Corn

40060433c Beijing JINGJI CANKAO in Chinese
28 May 88 p 1

[Article by Ma Yi 7456 5030 and Zhao Kang 6392 2123: "The South Spends Foreign Exchange on Import; The North Has Excess Stockpile: Inner Mongolia Desperately Seeks Market for 500 Million Kilos of Corn"]

[Text] Because the south is importing corn from abroad, Mongolia's corn market is threatened. At present, the Inner Mongolia Autonomous Region has overstocked 500 million kilos of corn. There is no place to air-cure it, and it is desperately waiting to be sold.

In 1987, eastern Inner Mongolia, well-known for its corn, had a bumper crop. Total production for the whole region topped 2.75 billion kilos, 850 million kilos more than the previous year (this huge increase was not anticipated). The autonomous region procured 1.25 billion kilos (including purchases at parity price and negotiated price) which also exceeded the normal annual purchase of between 750 million and 800 million kilos. However, total sales within the region only reached 750 million kilos, and thus it is left holding about 500 million kilos.

Inner Mongolia is one of the provinces (regions) with grain shortage, but what it lacks is wheat, not corn. The region needs 1.4 billion kilos of wheat each year, but it can produce only 300 to 350 million kilos. The state ships in approximately 1 billion kilos (at parity and negotiated prices). The stockpile of corn is fairly substantial. Last year, there were 500 million kilos of corn leftover (mainly the negotiable price portion). Adding the corn already in stock, there is a total of 1.3 billion kilos. Deducting the 400 million kilos needed before the new crop is ready in September, there are 900 million kilos of corn desperately waiting to be sold. Because corn is not a part of the nation's grain transfer plan, the region has sent people down south to market the corn. Meanwhile the region is also trying to increase production at the feed processing plants. However, this effort can only take care of another 100 million kilos of corn. It is predicted that this year's crop will be no smaller than last year's, and if the present stock cannot be disposed of properly, grain procurement will be a major problem this fall.

There are several reasons why the southern provinces are importing corn thereby hurting the sale of northern corn. On the one hand, transportation is a serious problem in China. Shipping grain from north to south is very difficult. On the other hand, corn from the north costs more than imports (at present, for medium grade corn, the contract price is 0.318 yuan per jin, the negotiated

price is 0.325 yuan per jin, and the retail price is between 0.4 and 0.46 yuan per jin.) As a result, the south spends foreign exchange on imported corn while the north has an excess stockpile. Inner Mongolia's Food Grain Department desperately awaits solutions from the higher authorities.

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Discussion of Xinjiang's 'Huge' Cotton Stockpile Problem

40060433b Beijing JINGJI CANKAO in Chinese
31 May 88 p 2

[Article by reporter Hadier Mamuti 0761 6611 1422 7456 2606 2251: "Sheer Lack of Responsibility: Xinjiang Overstocks Close to 60,000 Tons of Cotton"]

[Text] Xinjiang has 55,000 tons of cotton in stock. On 12 May, the Autonomous Region Cotton and Flax Corporation sent a report to the Autonomous Region People's Government urging prompt disposal of the stock to avert severe losses.

Last year, Xinjiang had a bumper crop of cotton; total production topped 275,000 tons. During the 1987-88 cotton growing season, the autonomous region procured 256,000 tons of new the cotton under the state's economic plan (250,000 tons have already been bought). By the end of April, except for the 53,000 tons already shipped overseas and the 72,500 tons shipped to domestic markets elsewhere, 25,000 tons of export cotton and 18,000 tons of cotton destined for domestic markets are held up in warehouses along the railroads in Urumqi, Turpan, Korla and elsewhere. Because the warehouses are full, another 12,500 tons of cotton are stuck in the county-level sales and supply agencies, waiting to be shipped out.

High quality Xinjiang cotton normally sells well in the domestic and foreign markets. What caused this huge overstock?

Abula Hapaer [7093 1580 2139 0761 1584 1422], manager of the Autonomous Region Cotton and Flax Corporation, said, "The huge stock of export cotton is due to the failure of the Textile Goods Import and Export Corporation to move the cotton which ends up in our warehouses, and in fact we have not even been paid. As for the cotton intended for domestic markets, that has been purchased by the Autonomous Region Economic Cooperation Office which intended to develop economic cooperation with the hinterland, but since the scheme fell through and no other arrangements have been made

to dispose of the cotton, we are anxious. But there is not much we can do. That is why we have sent a report to the Autonomous Region People's Government."

The reporter met with Ding Zhiaoying [0002 0340 5391], manager of the Autonomous Region Textile Goods Import and Export Cooperation. He said, "The reason for the overstock of export cotton is because of a shortage of railroad cars. For the first 4 months of this year, we had 338 fewer cars than last year, thus 9 million fewer kilos of cotton were shipped." But Cheng Dechi [4453 1795 2088], chief of the Urumqi Railroad Bureau's Freight Transport Planning Section, said, "There is no shortage of railroad cars. Between January and April of this year, we transported 15 million kilos of cotton, which is about half of the annual cotton shipment. In May, 2,000 of the cars assigned to transport cotton were empty because there was no cotton. The sales and supply agencies and the foreign trade department failed to send out the goods, and that has upset our freight plans."

As for the stockpile of cotton intended for domestic sales, Qin Changgui [4440 7022 6311], deputy director of the Autonomous Region Economic Cooperations Office, said, "Economic cooperations often call for the exchange of hot selling goods. This is popular in the hinterland. In order to attract funds, technology, equipment, and means of production from the hinterland, we have decided, last spring, to purchase 10 million kilos of cotton for the cooperative efforts. But so far we have only shipped out 1.5 million kilos. Since last year, we have started several cooperative projects which require a total of 4.5 million kilos of cotton, but the Cotton and Flax Corporation said that there was no available cotton. "We would not dare hold back any shipment. The fact is, they told us there was no cotton."

Every department has its own defense, but all admit that the excess cotton stockpile can cause serious losses. The report from the Cotton and Flax Corporation pointed out that, because of the high sugar and water content, some cotton have begun to rot in the warm weather. July to October is Xinjiang's mellon shipping season, and it will be difficult to arrange for rail transport for the cotton. If we wait until after October, just the interest on the cotton stockpile will top 3 million yuan, a cost the Cotton and Flax Corporation cannot afford. In addition, because of the volatile cotton prices in the world market, we may be facing even greater losses. Some comrades have told the reporter that the failure of Xinjiang to move their cotton on time may undermine the whole national scheme, and the inland textile enterprises may run out of cotton and have to shut down.

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QUN YAN, Democratic League Hold Forum on Rule of Law

40050248 Beijing QUN YAN [POPULAR TRIBUNE] in Chinese No 5, 7 May 88 pp 3-9

[Unattributed report edited by Wang Birong 3769 4310 5554: "Perfect the Legal System, Realize the Rule of Law"]

[Text] Editor's Note: On 2 March 1988, the Central Committee for the Legal System of the Democratic League and the editorial department of QUN YAN magazine jointly organized a forum to discuss the questions of perfecting the legal system and realizing the rule of law. The forum was presided over by Comrade Lin Hengyuan [2651 0077 0337], chairman of the Central Committee for the Legal System of the Democratic League. The following comrades participated (listed in stroke order):

Yu Haojie [0060 3185 2052], deputy president, China Political Science Association, editor-in-chief of FA XUE [JURISPRUDENCE];

Wang Jiafu [3769 1367 4395], research fellow, Institute of Law, the Chinese Academy of Social Sciences;

Li Haopei [2621 3185 1014], legal advisor to the Ministry of Foreign Affairs;

Zhu Yuhuang [2612 5148 3874], research fellow, Institute of Law, the Chinese Academy of Social Sciences;

Yan Jiaqi [0917 1367 0366], director, Political Science Institute, the Chinese Academy of Social Sciences;

Hu Qian [5170 0366 1344], professor, Beijing University;

Zhang Sizhi [1728 1835 0037], editor-in-chief of ZHONGGUO LUSHI [THE CHINESE LAWYER];

Xie Huaishi [6200 2037 2703], research fellow, Institute of Law, the Chinese Academy of Social Sciences.

Lin Hengyuan: After establishment of the doctrine of the initial stage of socialism at the 13th CPC National Congress, we jurists must give consideration to the question of how to perfect China's legal system and realize the rule of law, to meet the demands posed by reform, opening up to the outside world, and the construction of a socialism with Chinese characteristics. The rule of law, that we speak of here, is inseparably linked with democracy and has nothing at all in common with the "legalism" propounded by the Legalists of ancient history, such as Shang Yang, Shen Buhai, Han Feizi, and others. Although the Legalists showed a certain progressive spirit under the historical conditions of their days, their legalism was in actual fact a "rule by criminal punishment." That kind of law was extensively effective in controlling literati, generals, and ministers of state. As to the person of the emperor, no one would dare touch a hair of his head, after all whatever the emperor said was law. Legislation and abrogating laws were matters the emperor could handle as he pleased. In the final analysis it was a system of "rule by man." In feudal times, one cannot speak of any rule of law. The rule of law that we are discussing is the democratic rule of law, it is equality

of everyone before the law. It is as Article 5 of the Constitution prescribes: "All state organs, the armed forces, all political parties and public organizations, all commercial and industrial enterprises and undertakings must abide by the Constitutions and the law. All acts in violation of the Constitution and the law shall be prosecuted. No organization or individual may enjoy the privilege of being above the Constitution and the law." Historically seen, the rule of law is a product of the bourgeois democratic revolution. In the 17th century, only countries that have had bourgeois democratic revolutions have had constitutions and rule of law, but it is not only capitalist countries that have democracy and the rule of law. We have to point out that socialist countries are in the most favorable position to realize true democracy and a perfect state of rule of law. However, since China's socialism emerged from semi-feudal and semicolonial conditions, there has been much deep-rooted residue from the feudal system. This and the additional mistakes of "Leftist" policies, have had legal anarchism exercise its influence in China over long periods of time, and had seriously undermined the construction of a legal system, even leading in the end to 10 years of the great calamity of absolute lawlessness. Since the 3d Plenum of the 11th CPC Central Committee, great changes have taken place. Great work has been accomplished in building up the legal system, an achievement that must be assessed as very positive. There are, however, still many problems, of which some are very serious, and we are a far distance from the requirements of rule of law. You here are all legal experts and scholars. I hope you will all express your valuable opinions, speak out freely, and contribute toward the realization of democratic rule of law.

Rule of Law Means: "Having Law To Follow, Being Obligated to Observe the Law, Strict Enforcement of the Law, and Prosecution of All Violations of the Law"

Li Haopei: In my opinion, it is most important to have democracy and the rule of law in China's superstructure. Let me first say something about the difference between the two concepts "rule of law" and "legal system." The meaning of the phrase we often use: "Having law to follow, being obliged to observe the law, strict enforcement of the law, and prosecution of all violations of the law" is in essence "rule of law," and can hardly be used to signify "legal system." The Shanghai periodical MINZHU YU FAZHI [DEMOCRACY AND LAW] has three different English translations of the word "fa zhi," namely 1) legal system, which implies the system of laws, 2) legality, which implies the gaining of legal validity, and 3) law, which is just law. This shows that the concept "legal system" is not too concise and can easily be misunderstood. I think the term "rule of law" better suits what we actually now mean in China when we use the term "legal system."

Yu Haocheng: Some comrades working in the fields of politics and law and some of our legal scholars did not favor the use of the terms "practicing rule of law" and

"governing the country according to law." The main reason was that Comrade Mao Zedong in the latter part of the 1950's once said: "We will have the rule of man, not the rule of law; an editorial in the PEOPLE'S DAILY, is to be enforced nationwide, there is no need for laws." For this reason the term "rule of law" had been taboo, and only the term "legal system" has been freely used, but actually there is a big difference between the two terms. As Dong Biwu [5516 1801 2976] defined it, the legal system is the overall designation for the entire legal system. The mention of "legal system" alone only covers the question of "having law to follow," but in actual fact we do not want to have only "having law to follow" but also want the "obligation to follow the law, strict enforcement of the law, and prosecution of all violations of the law." In the spirit of upholding truth and rectifying mistakes, we must in this question act against the principle of "all is correct."

Yan Jiaqi: "Rule of law" and "legal system" are two completely different concepts. The difference between them illustrates the different understanding by the people of the "function of law in social life." For a long time, we have regarded "law" merely as a tool for "the protection of social relations and social order as such were useful to the ruling class." The so-called "strengthening of the concept of the legal system" merely demanded that the people observe the law, and that a stable social order is maintained. Actually, the primary function of "law" is to guarantee the rights of the people. Law prescribes certain rules of action for the people, and directs people as to what they can do, what they have to do, and what is forbidden under specific conditions. That is, it determines the rights people may enjoy and the obligations people must fulfill; it thus regulates the mutual relations of people in social life. The so-called "rule of law" is the "governance of the law." In a country with "rule of law," apart from special exceptional provisions in the law, no one is controlled by anyone else, even a person in the leading position of highest authority must obey the law. Where "rule of law" prevails, the law "treats everybody equal without distinction" as regards protection or when imposing penalties. Exercising "rule of law" means using law to guarantee every individual's rights and his freedom from encroachments by others, while at the same time limiting the state's power and preventing misuse of power.

"Legal norms" are either "prohibitive norms," "imperative norms," or "optional norms." It is therefore possible that within the scope of law, individuals, organizations, and government organs may have "optional norms" which, under certain circumstances, allow free choice. Practicing "rule of law" is helpful in enabling people to make projections of their own actions and the consequences of such actions. As long as the law permits it, people may do it, without fear of being called to task, reprimanded, penalized, or punished for it. In this way people will show enthusiasm and creativity, and only then will they also display initiative and a pioneering spirit. As far as one country

and one territory is concerned, its social wealth has after all been created by the people in their display of zeal and in reliance on their wisdom and the work of their hands. If individuals, organizations, and government organs have no latitude for own decisions, if every matter has to await the directive from some higher-up, a society of this kind will fail to advance rapidly. For a long time, Chinese society was a society in which the powers of government administration were excessively strong. People were accustomed to await directives from higher-up for their affairs, and due to the fact that the directives had to come from layer after layer of administrative levels, due to duplicative, cumbersome, mutually contradictory administrative directives, the permissible scope of the "law," the "optional norms," had actually lost their functions in China. Today, China still needs a "perfect legal system," but even more needed is the "exercise of rule of law." Only if the people recognize law as the protection of their own interests, the projection of consequences of our own actions, and recognize that individuals, enterprises, government organs, and public organizations are all endowed with their own independent decision-making powers, only in a society of this kind will there be vitality, will social wealth rapidly increase, and only as a society of this kind will China truly become strong.

Modern Civilized Countries Demand "Rule of Law" and not "Rule by Man"

Yu Haocheng: Whether a country should be governed according to the rule of law or according to the rule by man has been an important issue, debated for many years among legal scholars. Today, more and more people advocate that countries should be ruled by law. In actual work, there is now a transformation going on from rule by man to rule by law, but in theory and in practice the problem of replacing rule by man with rule of law has not yet been completely resolved.

At the historically significant 3d Plenum of the CPC Central Committee, Comrade Deng Xiaoping made the important speech under the heading: "Liberate Mentality, Seek Truth From Facts, Unite and Look Forward," in which he pointed out that "to ensure people's democracy we have to strengthen the legal system, have democracy institutionalized, more incorporated in law, secured against any change of any person in leadership position, and secured against any changes in the viewpoint or respect for it by any person in leadership position." ("Selected Works of Deng Xiaoping," p 136). What he actually says here is the need to institute rule of law and to abandon rule by man. It had been proposed as a summary conclusion from lessons and experiences since the inception of the PRC, especially since the "cultural revolution," as also from the lessons and experiences of other socialist countries. Several party resolutions that followed, also pointed out that the insufficient attention to building up democracy and the legal system, that had been shown since the inception of the PRC, was a grave

mistake and was the major reason for such unprecedented calamities as the "cultural revolution." Of course, today's discussion of the question of rule of law or rule by man is essentially different from the dispute between Confucianists and Legalists about methods of ruling a country during China's Spring and Autumn period and the period of the Warring States. When we talk today of "rule of law," or call it "the governance of law," we mean that the proletariat and the masses, after coming to power, shall use the weapon of the law to govern the country. It has to be pointed out that the concept "rule of law" in its present meaning originated in the democratic revolution of the Western bourgeoisie against the privileges of feudalism, and that it is this link between rule of law and democracy that is the most important criterion that distinguishes it from the so-called "rule by law" of China's Legalists. Today, rule of law is synonymous with strengthening democracy and the legal system, while rule by man is another name for dictatorship, bureaucratism, feudal privileges, patriarchal rule, and having only one person laying down the law.

Hu Qian: China's feudal society lasted for several centuries, and the mentality of feudal dictatorship is deeply rooted. Dictatorship is rule by an individual, as in the old saying: "As long as the man lives, his policies will be followed; as soon as the man dies, his policies die." (quoted from the "Li Ji" and the "Zhong Yong"), and the emperor's words were "sacred edicts," that means, highest law. Feudal society was not the soil on which democracy and a legal system could grow. The mentality of the people was such that they awaited a "Savior" to protect them, and not that they sought the safeguards of law. In this sense, the existence of democracy and rule of law must be the major measuring stick for the degree of civilization of a country. The establishment of the PRC could have provided the best soil for the growth of democracy and rule of law, but to our grief and regret we were guided by an ideology that declared that "class struggle is the key." Establishment of democracy and rule of law was neglected, and no attention was paid to nurture among the masses the concept of being masters of their own affairs, and the concept of their rights and obligations. On the other hand, it was also neglected to instill among government cadres the concept of being servants of the people, of exercising power according to law, of responsibility toward the people, and of accepting the supervision of the people. For a comparatively long period of time after the inception of the PRC, the influences of feudal dictatorship were not duly wiped out, but developed into the 10 years of calamity. One man's word became "directive of highest authority," and every individual's zeal, initiative, and creativity was stifled, and the entire society stagnated to an extent rarely seen in any modern state.

Yan Jiaqi: Whether it is possible to realize rule of law is, in my opinion, closely related to our view on the "nature of man." If all human beings would be perfect and without blemish, all would be saints and heroes, there would be no need for "rule of law." To govern a society

of that kind would only require selection of the best leader and that would do it. Precisely because men are not saints, we need a constitution and the law to restrain man, which includes restraining the actions of men with power. For the same reason, precisely because men are not saints, man's policy decisions may possibly be wrong, may include oversights and omissions with various legal and economic consequences, and law would then be a means to rectify these consequences. In this sense, law is also an effective means of maintaining public order and resolving disputes.

If sanctions or punishment are imposed because of violations of the law, people will easily accept such sanctions and punishment as long as the law is applied equally to all persons. If a society mainly relies on "supra-law" methods in its sanctions or punishments of people, feelings of unfairness and resentment will easily arise in such a society, and discord and even hostility will easily arise in person-to-person relations. The ideology which declared that "class struggle is the key," an ideology that prevailed in China for a long time, is precisely a "supra-law" method of meting out sanctions and punishment. A country that internally lacks mutual confidence, and where internal strife prevails, cannot possibly develop prosperity and strength. The only way to achieve social stability and development is to build up China into a "country with rule of law" in name as well as in fact.

Wang Jiafu: We are today discussing an extremely important question. If we want to develop China into a truly socialist country with rule of law, it requires first of all a thorough change of our concepts; we must safely secure for rule of law an extremely large measure of authority. Rule by man and rule of law are two diametrically opposed principles of governing a country. If the will of one individual is the guideline for governing a country, if we apply rule of man, the situation will be that only one man's opinion counts, and we shall create a new form of dictatorship. If one man can do as he pleases, it is in his hands whether there will be economic upsurge, economic downfall, or economic ruin. If one man raises his position to one above the constitution and the law, it will be the cause of great social chaos, and will bring great suffering on the people. But if law represents the will of the people and serves as guideline in governing the country, if rule of law is practiced, politics is bound to become more democratic, the economy will prosper, and the country will become modernized. It must be well understood that rule by man is always accompanied by such short-lasting acts as privileges, extra-economic plunder, taking advantage of opportunities to profiteer, and will bring along barbarism, backwardness, passivity, and turmoil. But rule of law, on the other hand, is characterized by fair competition within the scope permitted by law, free creation, zealous endeavor, and development, with attention to long-term development. It brings along civilization, progress, enterprising spirit, long-lived good government and lasting peace. We are definitely determined to abandon rule by man and to institute rule of law, which is the

fundamental program of lasting importance for good and peaceful government in the initial stage of socialism, for perfecting socialist democratic government, and developing a socialist commodity economy, and we shall not waver in the slightest way in this our resolve.

We Must Strengthen Legislative Work; Policy Must Not Override Law

Hu Qian: Intensified legislative work and perfection of current laws and regulations are the necessary guarantees for China's transformation into a country with rule of law. Since the 3d Plenum of the 11th CPC Central Committee, China's legislative work has made extremely gratifying progress, as we have moved from the legal anarchism of a state of absolute legal barrenness onto the road of constructing socialist democracy and rule of law. However, in the wake of the development of the national economy and of social development, to become a modern state much legislative work still has to be done. We must also realize that due the lack of experience and the influence of the long-standing practice of using policies in place of law, our current laws and regulations require further perfecting. The language of law must be precise, compact, and yet exhaustive. China's laws and regulations concerned with foreign economic relations, especially legislation concerning investments, patent rights, and joint ventures in which foreign parties are involved, cannot be said to meet the above-mentioned demands. Legislation in these areas directly affects the importation of foreign capital and technologies, and further efforts must be made to perfect them in content and in terminology.

Yu Haocheng: Although we have enacted the Constitution and many laws since the inception of the PRC, we have basically relied on policies and on political movements to implement policies, and we did not rely on law, and did not apply the rule of law in the government of the country. This was shown mainly by the way in which policies were treated as more important than law, as if having policy meant that we can do without law. For instance, the "Marriage Law" prescribes the marriageable age as 22 for men and 20 for women, but when young men went to register for marriage, they were refused because of the policy of late marriages and population control. Some said, who is violating the law here, is it the government or is it us? In the "cultural revolution," the Constitution was trampled underfoot as if it were a sheet of waste paper, no need to mention that. But now that we are engaged in reform, we still brush aside the Constitution. Our procedure is not that we first amend the law and then reform, but that we first reform, break provisions of the Constitution, and then amend the Constitution to catch up with the reform. What prestige and authority has a constitution of this kind? Also, in the case of privately-run enterprises and the transfer of land, we are breaking the provisions of the Constitution, and acting first, leaving the legal problem to be settled later. This indicates an insufficient awareness on our part of the necessity and importance of

instituting government by law and handling all matters according to law. Recently, the CPC Central Committee proposed certain amendments to the Constitution; this is extremely necessary.

Zhu Yuhuang: I wish to add here two points to the question of how to strengthen legislation:

One, we should give priority to legislation in favor of scientific and technological research. The role of science and technology in the promotion of economic development and social progress has already been proven by the experiences of some countries, and it requires total encouragement through legislation to promote scientific research and to establish a close link between scientific research and production, only then will scientific and technological undertakings develop healthfully, a fact that is by now beyond dispute. But if we compare legislation to promote scientific and technological progress with all other enactments, we find it to be an extremely weak link that would still require great efforts to catch up.

Second, as early as possible we must formulate and promulgate a law on administrative litigation. When China adopted the new version of the Constitution, it constituted great progress in socialist democracy and a major step forward in incorporating democracy in law. But in the area of government administration, in spite of the enactment of many administrative laws and regulations, there are almost exclusively substantive laws and no procedural laws, which leaves the administrative laws and regulations without guarantees for their enforcement. Statistics show that due to the absence of a procedural law on administrative litigation, administrative disputes cannot be properly resolved. According to statistics, the majority of letters and personally presented petitions of the people show that the rate of repetitive requests is one-third of the total. It is therefore extremely necessary to set up an organ to handle administrative law violations and to formulate perfect procedures for administrative litigation, with clear provisions on such questions as how to file a suit, how to investigate the case, how to adjudicate, and how to effect compulsory enforcement. This will make it possible for citizens who have suffered infringements on their persons or interests to find the courage to file suit according to law and thereby guarantee that government administration will become more democratic and act more in conformity with law.

Wang Jiafu: We must further improve legislation, and thereby provide even better preconditions for the realization of rule of law. First, China's legislation is still very much incomplete. There is no administrative basic law, no law governing public functionaries, or law on the procedures for administrative litigation. We still lack the necessary norms on the responsibilities of government agencies, and have no rules for the selection and appointment of administrative officials, and no legal provisions for restitution in case of erroneous administrative

action. All this is bound to offer a wide open door to decadent phenomena, such as appointing people by favoritism, offices full of redundant personnel, bureaucratic workstyle, and misuse of powers. China has not yet enacted certain commercial laws, such as a company law, a law on negotiable instruments, an insurance law, a maritime commercial law, an anti-monopoly law, or a law against improper competition. This is extremely detrimental to a healthy development of socialist commodity economy. Second, Some pieces of legislation must be rendered more democratic in content, and must be amended to better suit the needs of the socialist commodity economy. Following the progress of the reform, there is still much work to be done. Third, the legislative system has to be rendered more scientific, and the unified cohesiveness of the legal system requires further improvement. We must find ways to overcome such phenomena as certain superfluities, inconsistencies, duplications, and lack of unified cohesiveness that have appeared in our laws.

We should also mention that we are resolved to place the reform on the foundation of a legal system, and that we shall realize rule of law in this area which is presently most important. In our reform of the old system we must start out from the legal reform, that is, we must start by abolishing the old laws that reflect the needs of the old system and enact new laws that reflect the needs of the new system. Reform is an undertaking for which there are no precedents to go by. We really have to explore and test. However, once the reform has been initiated, it must be conducted according to law. That means, we must use laws that prescribe reform measures as regulatory rules of the reform, as means of promoting reform, and as tools that will ensure success in the reform. In this way alone can smooth progress of the reform be ensured and unnecessary confusion and relapses be avoided. By doing so we shall at the same time strengthen the concept of rule of law in China.

Establishing a System of Rule of Law Requires Elimination of Feudal Privileges

Zhang Sizhi: There are not only "vestiges of feudalism" in China, it is rather a case of: "The roots are deeply embedded, and new sprouts emerge from the old tree." People customarily say: Negative things, backward things, are after all also aberrations. This appears to be a rather incomplete formulation and reveals a certain one-sided attitude. We should add to it: even if it is an aberration, it is something extremely serious, unacceptable, and something that cannot be tolerated. We might as well bring an example from real life:

The deputy captain of the police of Xinxiang City in Henan Province considered a certain teacher as suspect in a crime, although he had not the slightest evidence, he strung him up and beat him to obtain a confession, but the man died from the injuries inflicted on him. Eyewitnesses said: the action was one of unbearable cruelty. The people were furious but did not dare to expose the

case. The court-affiliated doctor used some tricks in an attempt to misrepresent the facts. Fortunately, a Xinhua News Agency reporter wrote up the details, which then led to the arrest of the captain who had beaten an innocent man to death. Good and honest people then thought the murdered teacher would now receive the protection of the law. Unexpectedly, at the time of the Spring Festival, the situation suddenly changed. The criminal was "released from custody for medical treatment," and enjoyed a happy holiday. People say, he is the eldest son of a department head in the provincial government. So, what can you do about it! Of all the Xinxiang lawyers no one spoke out from a sense of justice. The relatives of the murdered man were thus forced to go the most distressful "old" road. They came to Beijing to seek the truth. You see, a captain, by misusing his powers, was he not able to deprive a man even of his life?

From a lawyer's point of view I want to briefly explain two things: First, laws should grant powers to the people in the broadest possible way. The provision in the Constitution, "All power belongs to the people," has the character of a manifesto, and would still need a set of specific legal norms to guarantee implementation, only then will the power of the people become real. Second, law must limit or restrain the powers of power-endowed government agencies and of those wielding actual power. Without this latter requirement, the power of the people will most likely become empty words and disintegrate into nothing. The lesson that we have had in this respect has left an extremely deep impression. The above-reported case is a very conspicuous example.

Li Haopei: I too would like to report an example from the newspaper, to demonstrate that feudal privileges impede perfection of our legislative work. In Qiantong township of Ninghai County in Zhejiang Province, a female peasant, Tong Jinsu [4547 6855 5685], who lived in great poverty, by some carelessness crushed a chicken that belonged to the father-in-law of the township's deputy mayor. The mother-in-law of the deputy mayor loudly cursed the peasant woman, and the father-in-law gave her a brutal beating, injuring her seriously, so that she suffered all day long incontinence of urine and was unable to work. Being very poor, Tong Jinsu had no money for medical treatment, and she repeatedly asked the leadership in village, township, and county to take up her case, merely asking that medical treatment be paid by the other party and that they publicly apologize, or that the case be turned over to the law court. According to current Chinese law, anyone who commits the unlawful act of inflicting injury on another person must bear criminal and civil responsibility. But because of the backing from the deputy mayor, his in-laws not only did not have to pay a penny, but even any criminal prosecution against them was a matter completely out of the question. Tong was greatly infuriated, and her health further deteriorated. In the end, in her despair and feelings of bitterness, she killed the 4-year old son of the deputy mayor and committed suicide.

The above-reported cases allow an initial understanding of how, in various places, there are still many persons with power and influence who can remain beyond the pale of the law and not incur the penalties of the law. In this connection, it would appear necessary to adopt appropriate measures and to take every action prescribed by law, in accordance with the principle of "enforcement of the law shall be strict, and violations of the law must be prosecuted," and have those with power and influence gradually abandon their erroneous thinking that they may enjoy feudal privileges and not incur the penalties of the law. This is the only way by which we shall be able to establish a system of rule of law in China.

Zhang Sizhi: I would like to give another example and complain about unfairness of unjust treatment of us lawyers. In 1983, Lawyer Yang Fei [2799 7378], originally responsible person of the legal advisory office in the Huanggu Ward of Shenyang, Liaoning Province, was suddenly arrested and accused of having embezzled 1,500 yuan gravel transport fees during the time he was in charge of materials procurement at his original unit. Later, due to a serious illness, he was "released on bond, awaiting investigation." Since the start of this case until now, for 4 ½ years, the relevant file has been travelling between the procuratorate and the lawcourt, and the case never got a hearing in court, nor was he pronounced innocent and released. As Yang Fei's defense lawyer reports: all the data in his file cannot prove Yang Fei's embezzlement. Not only that, the defense lawyer also discovered that the procuratorate violated law in trying to obtain evidence, by such illegal acts as tempering with evidence and removing or exchanging material in the file. The lawyers of Liaoning have jointly petitioned that this case be fairly settled. Yang Fei himself has repeatedly appealed to the authorities to intervene, but like "dropping a stone into the ocean" nothing happened. I believe, that regardless of whether Yang Fei did or did not embezzle, it is absolutely unjustifiable in law to have started investigation, filed suit, have the court accept the case, and then not try the case for several years. People say, if even a lawyer cannot ensure and protect his rights in front of "power factors," what about us common people!

Zhu Yuhuang: Looking at the enforcement of law, we see that there still exists the phenomenon of "law exists but is not applied." Although this is not a universal problem, it is by its very nature a serious matter, because if laws are not applied, the people will lose confidence in law, and the authority of the law will be impaired. With reference to the case reported by Comrade Zhang Sizhi, I would like to say something about the implementation of the procedural law. The code of civil procedure is of great significance in that it implements the principle of socialist democracy. The litigation procedure has been rendered more democratic entirely for the purpose of fairness and accuracy in handling cases. Many provisions of China's Code of Civil Procedure embody the principle of socialist democracy. However, certain trial and investigative personnel take the attitude of not

letting the parties fully express themselves, not allowing lawyers to perform their legitimate rights, of listening only to the story of one side, and of making subjective assumptions. There have been cases of failure to adjudicate cases that have been fully investigated, and of adjudicating cases without proper investigation. The democratic principles in the Code of Civil Procedure are disregarded, and sentiment takes the place of legal provisions. I believe this is due to the evil influence of feudal ideas regarding the powers of an official, ideas that still remain in the minds of certain judicial personnel, and that we still have to overcome the idea of "the official is more than the law." Cases of adjudication contrary to the provisions of the Code of Civil Procedure are the main reason why erroneous decisions cannot get just treatment.

In Establishing a Country With Rule of law, Party and Government Administration Must Be Separated

Xie Huaishi: I want to speak about the relationship between rule of law and the separation of party and government administration. The separation of party and government administration was decided at the 13th Party Congress. Many comrades wrote articles about it, and many articles, it seems to me, discuss the party-government separation from the angle of improvement of the party leadership, but few discuss party-government separation from the legal angle, particularly from the angle of rule of law.

Coming straight to the point, I want to ask, why do we want to have party-government separation? Because if party and government are not separated and the party assumes government functions it would contravene the principle of rule of law. In concrete terms, it would be contrary to the Constitution.

Now that we emphasize rule of law, we must first of all observe the Constitution and deal with all affairs according to the provisions of the Constitution. Article 126 of the Constitution prescribes: "The people's courts shall exercise judicial power independently and are not subject to interference by administrative organs, public organizations, or individuals." However, in the past, the party committee all along has investigated and decided cases, which is interference in the judicial processes. Recently, the party committee of Beijing formally proclaimed that it will no longer investigate and decide cases, thus changing the former state of things. Then there is Article 85 of the Constitution, which reads: "The State Council is the executive body of the highest organ of state power," but for a long time certain functions of the State Council and of the ministries and commissions under the State Council have been performed by party organs. For instance, the appointment of certain cadres had to be examined and approved by the party's central organizational department, which is an encroachment on the powers of the State Council as "highest" administrative organ. To bring about a change in these matters

which contravene the provisions of the Constitution would be a great step forward toward establishing China as a state with rule of law.

In the past, party-government separation was a forbidden zone, but the 13th Party Congress has officially come forth with a clear decision in the matter. I believe this decision has not only important political significance, but also important legal significance. The legal significance is that anything not in conformity with the provisions of the Constitution must be changed, so that China's Constitution will indeed be truly implemented, and so that China will be able to gradually and truly move toward becoming a country with rule of law.

There is still another question which we may discuss today. In the 1950's someone raised the question of whether it was in order for the CPC Central Committee, independently or jointly with the State Council, to issue documents that have the force of law. As China now intends to strengthen the rule of law, this question must again be studied. The State Council is the highest administrative organ, as provided in the Constitution. The Constitution has no provisions on the party, the party is not an organ of state power. To line up together the party's Central Committee and the State Council is contrary to the Constitution, and in a certain respect lowers the status of the party's Central Committee. Documents are frequently transmitted to lower levels which contain matters for which no further legal provisions are made, but which are nevertheless to be carried out throughout the country. This too would be contrary to common practice in a country with rule of law. When the Soviet Union opened up and allowed individual work, it first promulgated the "Law on Individual Work." When China opened up and allowed individual work and privately run enterprises, there has been no law about it up to now, and one had to accept state policy as basis. For many years already, China has been practicing the contract system in its rural areas, but up to now there has only been state policy, but no legal basis for it. This is still the system of political policy taking the place of law, and is also a manifestation of party and government administration remaining not separated. To my mind, party policy has binding force on the entire people only after converting it into law. This is the normal situation in a country with rule of law.

In the past, the question of priority of state policy over law has been discussed for many years, but only by resolving the question of the party-government separation can the relationship between political policy and law be smoothly settled. Finally, let me emphasize again: to establish China truly as a country with rule of law, it is necessary to effect a thorough separation of party and government administration.

Lin Hengyuan: Today everybody here eagerly expressed his views, and the many brilliant ideas have been of great inspiration for me.

First, the purpose of law is not only to maintain public order and ensure the state's good government and lasting

peace; more importantly, society is the sum total of people. The human element is a reservoir of limitless potential. By practicing rule of law, the rights of the people are protected in law, and the person-to-person relations are regulated in a fair and rational manner. Without cases of miscarriage of justice, without cases of injustice, without grievances, society will be filled with an atmosphere of fairness, everybody will have a sense of fairness, everybody will have ease of mind, and will devote himself to his work in high spirits, which will be greatly beneficial for the development of productive forces.

Second, Marx said: "The link between judicial procedure and law is as close as the outer appearance of a plant and the plant itself, or as the outer appearance of an animal and its blood and flesh." ("The Collected Works of Marx and Engels" Vol 1 p 179) Procedural law is like the operational rules in a workshop. Working not in conformity with the operational rules may produce defective products, or even unfortunate accidents. If those who enforce law do not follow the proper litigation procedure when handling cases, they will hardly be able to avoid errors and miscarriage of justice with harmful consequences for the people. The painful lessons of history have left extremely deep impressions. But up to now, law enforcement organs still handle cases not completely according to proper litigation procedure. For instance, Article 125 of the Constitution prescribes: "All cases handled by the people's courts, except for those involving special circumstances as specified by law, shall be heard in public." There are similar provisions in the codes of criminal and civil procedures. But in many lawcourts, entrances are strictly guarded and it is extremely difficult for the general public to enter the courts and listen in on proceedings. This is clearly a violation of the law. To allow people to enter the courts and listen in at court proceedings will, on the one hand, subject the courts to supervision by the people, so the courts will not dare to act in violation of law, and open access will, on the other hand, provide legal education for the people. The principle of openness indicates not only democracy, but is also a most effective legal propaganda and education for the masses!

For court proceedings in China, a system of two instances is provided in the procedural laws, however, if the court of first instance encounters any difficulties, it will, because of the low level of legal proficiency, address a letter or transfers the files to the court of higher instance requesting directives and will then adjudicate according to the decision made by the court of higher instance. If the party that is dissatisfied with the decision would then appeal the judgement, it would hardly get a different decision. While the procedural law prescribes two instances, the mentioned method actually amounts to providing only one instance, and virtually deprives the party of the right of appeal. Many countries have systems of three instances to ensure accuracy in judgements. As the quality of judicial personnel is rather low in China, if for certain cases only one instance is provided, how can it be avoided that many mistaken judgements and miscarriages of justice occur? Moreover, the

court of higher instance writes an opinion only based on written data or on the file, which opinion will then become the judgement of the law court of first instance, is this not a complete reversal of the whole set of principles of independence, directness, free speech, and oral argument in court proceedings? The procedural laws are of ample scientific and democratic character. How can just adjudication be ensured if court proceedings at the first instance do not follow procedural laws?

Third, the problem of quality of law enforcement personnel is also an extremely important question. There have been definite improvements since the 3d Plenum of the 11th CPC Central Committee, but having been under "Leftist" influences for a long period of time, there has been no adequate nurturing of legal talents. China is still temporarily short of legal personnel, and

many of those employed are not up to standards. Law is one branch of science, enforcing law without a proper knowledge of the law cannot possibly ensure justice of law and is bound to harm the physical and mental well-being of the people, to harm public peace, and to harm production enthusiasm. This should attract the earnest attention of all leadership comrades, have them devise plans, and have them effect gradual adjustments.

In short, the present perfection of the legal system and instituting rule of law are important parts of the reform of the political system. As to the reform of the legal system, it must be placed on the agenda of the reform as quickly as possible. We shall in future seek another opportunity to discuss all these problems.

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EAST REGION

Xu Xingguan Addresses Zhejiang Nationalities Work Forum

40050340a Hangzhou ZHEJIANG RIBAO in Chinese
20 May 88 p 1

[By Jing Guirong 4842 2710 2837]

[Text] The provincial forum on nationalities work was held in Hangzhou from 16 to 19 May. Vice Governor Xu Xingguan [6079 5887 6306] spoke at the meeting.

He said: Nationalities work is an important part of party and government work to which the party and government leaders at all levels should attach great importance. In city and county governments, there should be one leader concurrently in charge of nationalities work in order to streamline the relations and help the minority nationalities solve some real problems.

Speaking of economic construction as the main task in nationalities work, he said: In order to accelerate economic development in minority areas, we must uphold the policy of reform and opening to the outside world. Besides adopting more lenient policies, we should support and help them in other ways. He continued: Importing talents is the key to the economic and cultural developments of these areas, and this is where we should direct our efforts in helping them. First, we strongly advocate the use of science and technology to support the poor and must encourage the scientific research personnel to go to these areas to provide consultation services, to build enterprises, or to manage enterprises under contract. Second, we have to let the vice county chief in charge of science and technology work in poor counties. Third, we should organize groups of city and county cadres to assist in the work of nationality townships. They may stay there longer than others and take up some side jobs.

Yang Zilin [2254 1311 2651], Director of Nationality Affairs Bureau, also relayed to the meeting the spirit of the National Conference to Commend Contributions to National Unity and Progress.

9411

SOUTHWEST REGION

Regulations on Provincial People's Government Work

40050344c Chengdu SICHUAN RIBAO in Chinese
22 May 88 p 1

[Text] The provincial government will set up a system of consultation and dialogue with society and a system of public information. Before deciding on important issues of public concern, the relevant department will generally conduct a feasibility demonstration, and then solicit the

views of the people and the parties concerned through proper channels. In the future, whenever any provincial government department holds a special meeting or symposium, the governor or the vice governor will not be invited to attend. If the presence of the governor or the vice governor is actually required, the staff office of the provincial government will make the overall arrangements. This was the important news obtained by our correspondent in the Third Plenary Session (Enlarged) of the provincial government meeting held yesterday (21 May).

The regulations just mentioned were contained in the "Work Regulations of Sichuan Provincial People's Government (Trial)," designed to change the work style, to increase work efficiency, to overcome bureaucratism conscientiously, and to promote the institutionalization and standardization of government work. It is something new to the people. The main topics covered by these regulations, seven in number, are as follows: 1) the main duties of the provincial government; 2) the duties of the governor, the vice governors, and the provincial government advisers; 3) the system of provincial government meetings; 4) the system of examining and approving provincial government documents; 5) improving the work style, and setting up systems of consultation and dialogue with the society and of public information; 6) regulations for inviting leading comrades of the provincial government to participate in social events and for obtaining interviews with government leaders on official business; and 7) the main duties of the provincial government's general secretary, the deputy general secretary, and the provincial government's staff office.

The "Regulations" pointed out: Under the system of the governor assuming full responsibility for the provincial government, the governor will take charge of all government functions in the province. After stipulating the systems of provincial government meetings and of examining and approving documents, the "Regulations" called for strict control over various provincial meetings with a view to reducing the time of meetings and the number of participants and simplifying the documentation.

The "Regulations" said: The governor, vice governors, and the responsible members of various departments should generally spend about 3 months each year at the basic levels for investigations and study. Liaison points should be set up at the basic levels and through various media, the activities of the provincial government should be publicized so as to increase the transparency of government work. The people's criticism of the shortcomings and mistakes in government work should be welcomed and supported so that public opinion could play its supervisory role. If it is proper for the documents and the minutes of government meeting to be publicized, they can be announced to the public after obtaining the concurrence of the department concerned. The provincial government will hold regular press conferences in the future.

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Namelist of Sichuan Party Commissions
40050344a Chengdu SICHUAN RIBAO in Chinese
20 Apr 88 p 1

[Namelists of Sichuan Provincial CPC Advisory Commission Members and Discipline Inspection Commission members]

[Text]

**Namelist of Sichuan Provincial CPC
Advisory Commission Members**

(26 persons)

(In order of number of strokes)

Ding Genglin [0002 5105 2651]	Wei Guangping [5898 1639 1627]
Wang Da [3769 6671] (f)	Wang Rui [3769 3843]
Wang Zhongying [3769 0112 5391]	Wang Tengbo [3769 7506 3134]
Xu Mengxie [6079 1125 0204]	Yang Lezhai [2799 2867 7872]
Li Tianmin [2621 1131 3046]	Li Shaoyan [2621 1421 6055]
Li Xiangshan [2621 7449 1472]	He Wenqin [0149 2429 2953]
Song Wenbin [1345 2429 1755]	Zhang Min [1728 2404]
Zhang Guangqin [1728 1639 2953]	Chen Gang [7115 0474]
Luo Ming [5012 6900]	Zhou Hang [0719 5300]
Zhao Chengjing [6392 0042 4842]	Hu Yongchang [5170 3057 2490]
Hu Xiaofeng [5170 2556 7364]	Zou Zhiyuan [6760 1807 6678]
Qin Changsheng [4440 7022 0524]	Peng Hua [1756 5478]
Han Zhengfu [7281 2973 1133]	Jie Jie [6043 2638]

**Namelist of Sichuan Provincial CPC
Discipline Inspection Commission Members**

(37 persons)

(In order of number of strokes)

Wang Zhenglin [3769 2973 2651]	Wang Huasheng [3760 5478 3932]
Tian Jingrui [3944 2529 3834] (Tujia nationality)	Shang Yang [1424 7122]
Liu Yi [0491 3015]	Liu Guanghan [0491 0342 3352]
Jiang Feng [3068 1496] (Yi nationality)	Yang Kaishu [7122 7030 2885]
Yang Budiao [2799 2975 6148]	Yang Rongxiao [2799 2837 1321]
Yang Jiasheng [2799 1367 5116]	Yang Chonghui [2799 1504 0565]
Li Changzhu [2621 7022 2691]	Li Yulong [2621 3768 7893]
Li Hongren [2621 3163 0088]	Yu Yingmin [0151 5391 3046]
Song Lingli [1345 0109 3810] (f)	Zhang Youwei [1728 2589 3634]
Chen Dashi [7115 6671 1102]	Chen Xiaocai [7115 1321 2088]
Gou Yanyun [5384 1750 0061]	Ji Jie [4949 2638] (Tibetan)
Zhou Gang [0719 3263]	Zhao Tingyun [6392 1694 6663]
Duan Weiyi [3008 4850 5030]	Qin Muchu [4440 2606 0443] (f, Tibetan)

Qin Yuqin [4440 3768 3830] (f)	Yuan Jiguang [0626 4949 0342]
Gu Zhaoyuan [7357 0340 0337]	Tang Yichang [0781 4135 2490]
Cao Qingze [2580 1987 3419]	Gong Lianwen [7895 6647 2429]
Zhou Chengtao [0719 2110 3614]	Zhou Zengjun [0719 1073 6874]
Rong Jinyi [2837 6651 0308]	Xue Guanghua [5641 0337 5478]
Wei Bin [7614 1755] (f)	

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**Sichuan Work Committee for Political
Restructuring Formed**
40050344b Chengdu SICHUAN RIBAO in Chinese
25 May 88 p 1

[By Gao Jian 7559 6943]

[Text] The work committee for organs directly under the Provincial CPC Committee was formally inaugurated yesterday (24 May). This marks an important step in the reform of Sichuan's political structure.

The difference between this work committee and the party committees of the provincial organs of the past is that the former is no longer a basic-level party organization, but an outpost of the provincial party committee entrusted with the task of providing leadership for the provincial organs. It supervises the party members, and particularly the party's leading cadres of various provincial departments on behalf of the provincial party committee to which it is directly responsible. It exercises its leadership mainly in investigations and study, summing up and exchanging experiences, improving macroeconomic planning, providing guidance and supervision, and checking on the work of the party organs. It has the following seven functions: formulating plans for party building in the provincial organs; guiding the basic-level organs in party building and educating party members; examining and approving the formation of provincial party organs and the appointment and dismissal of their personnel; guiding the party organizations at various levels, supervising party members, and particularly the leading party cadres, and promptly reporting to the provincial party committee on the conditions of leading bodies of various departments, commissions, and bureaus as well as the leading cadres; examining and approving decisions on disciplinary actions against leading cadres for violation of party discipline; conducting rotational training for party members of the department level and education for other party members; taking charge of party schools of provincial organs, provincial trade unions and the Communist Youth League; and

exercising other functions as authorized by the provincial party committee.

The provincial party committee appointed the leading members of the work committee at its first meeting held on the same day. Comrade Huang Qizao [7806 0796 3884] was appointed secretary, and Comrade Liang Hongyu [2733 7703 3842] was appointed deputy secretary of the standing committee. The work committee consists of 11 members.

Liang Hongyu spoke at the meeting. He said: In accordance with the decision of the Provincial Party Committee, the provincial organs should established their own

party organizations according to their work requirements and their membership. The general branch committees and the branch committees are under the leadership of the work committee and are responsible to the members of the unit.

The Discipline Inspection Committee directly under the Sichuan Provincial CPC Committee was also formally inaugurated on the same day.

More than 200 responsible comrades from various provincial organs attended yesterday's meeting.

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**GAIGE Article on Development of Taiwan's
Externally Oriented Economy**

40060443 Chongqing GAIGE [REFORM] in Chinese
No 3, 10 May 88 pp 79-85

[Article by Ji Chongwei 1323 1504 1218 and Wang Weiping 3769 5898 1627: "The Establishment and Development of Taiwan's Externally Oriented Economy"]

[Text] Since the early 1960s, when Taiwan implemented its 19-point Program of Economic and Financial Reform, the province shifted from an internally to an externally oriented economy. Although the development of this new economy exacerbated Taiwan's dependence on international markets and made the province more vulnerable to global economic crises, the move did promote the rapid development of its economy, so that it became one of the fastest developing regions in the world after the 1960s. In the 25 years from 1962 to 1987, Taiwan's GNP rose by more than 20-fold, from \$3.575 billion to \$80.7 billion, and though the population nearly doubled, the per capita national income also rose by nearly 13-fold, from \$370 to \$5,000 a year.

The Shift From an Internally to an Externally Oriented Economy

Taiwan shifted to the strategy of developing an externally oriented economy when its internally oriented economy reached the limit of its growth, where continuation of such a strategy would have inhibited economic growth due to the limited size of the province's domestic market. After the stages of economic recovery (1949-1952) and import substitution (1953-1962), Taiwan by the late 1950s had become self-sufficient and even had a small surplus in agricultural production, its domestic market for farm produce had basically been saturated, and it began to face a glut in its import-substitution industry, which was centered around foodstuffs, textiles, clothing and other consumer goods. Thus to resolve the contradictions between the need to expand industrial output and the limited size of the province's domestic market and to promote industrialization, Taiwan authorities chose to shift to an externally oriented economy, to vigorously expand export-processing industry and to use expansion of foreign trade to fuel the takeoff of the province's entire economy.

Conditions for the shift had basically ripened by that time. First, Taiwan had already established a foundation for labor-intensive light industry. Second, it had an abundance of quality, cheap labor resources. In 1960, Taiwan had a working population (aged 15-64) of 5.61 million, equal to 52 percent of the province's total population, whose wages were equal to only one-fourth of American levels and contributed very little to total production costs, which is an important condition for increasing the competitiveness of one's exports. Third, Taiwan had already begun to use foreign capital. From 1952 to 1962, overseas Chinese and foreigners invested a

total of \$55 million in 149 projects in the province. Although small in scale, this investment did mark an excellent beginning in this work. Fourth, conditions in the international economy at the time were extremely favorable. During the late 1950s and early 1960s, the major capitalist countries were shifting from labor-intensive to capital- and technology-intensive industry, international markets—especially American—had huge capacities and competition was not very intense. These developments provided Taiwan with markets with which to expand its labor-intensive industry.

In response to these changes in internal, external, objective and subjective conditions, Taiwan abandoned its strategy of developing an internally oriented economy and from the early 1960s onward embarked on the road to an externally oriented economy fueled primarily by expansion of exports.

The Process by Which the Externally Oriented Economy Grew

From its birth to maturation, Taiwan's externally oriented economy developed in four progressive stages: (1) the import substitution stage, from 1952 to 1960; (2) the export expansion stage, from 1960 to 1973; (3) the second import substitution stage, which occurred after the two oil crises of 1974 and 1979, when the province focused on the development of sectors producing intermediate products and durable consumer goods and the government invested heavily in new heavy and chemical industries and in infrastructural energy and communications projects; (4) the stage since 1980, when the steady growth of Taiwan's trade surplus and American protectionist pressure forced the province to internationalize and liberalize its economy and trade and to improve the international competitiveness of its enterprises through selective elimination of inefficient firms.

Over the last 30-odd years, Taiwan's external trade has undergone the following changes.

1. Export volume, which originally was low, greatly expanded, rising from \$120 million in 1952 to \$53.5 billion in 1987, an increase of 445-fold in 35 years, greatly exceeding the rate by which the GNP grew during the same period—38-fold.

2. Export quality, which originally was low, greatly improved. In 1952, foodstuffs and beverages, tobacco, textiles, leather goods, lumber and paper products were Taiwan's five leading exports, of which foodstuffs, beverages and tobacco accounted for 94.17 percent of the province's total value of exports. In 1986, the five leading exports were, in order of importance, electrical appliances and electronics, textiles, machinery, plastic products, and wood furniture, which collectively accounted for 56.6 percent of the province's total export value, reflecting an upgrading and diversification of export product line.

3. The share of industrial consumer goods in total imports declined, whereas the share of agricultural and industrial raw materials and machinery and equipment rose. From 1952 to 1984, the share of consumer goods in total imports declined from 19.9 to 7.5 percent, and the share of raw materials, machinery and equipment rose from 80.9 to 92.5 percent, indicating an improvement in the province's level of industrialization and growth in its export processing industry.

4. Taiwan shifted from reliance primarily on imports to supply its raw materials to substituting materials it produces itself. This shift has been very slow, because Taiwan is relatively resource-poor and its externally oriented economy has created special demands in this area. Nevertheless, owing to the development of heavy and chemical industries since the 1970s, which program aimed at replacing imports of the means of production, different degrees of success have been achieved in this area. For example, in 1984 Taiwan was able itself to supply 30 percent of the raw materials it used in the plastics industry, which began to develop in the 1960s.

Over the last 30-odd years, Taiwan has experienced two turning points in the development of its foreign trade. The first was in 1962, when industrial goods surpassed agricultural and processed farm goods as its leading exports, thereby transforming its traditional export mix, which was previously dominated by agriculture. And the second occurred in 1971, when the province posted its first surplus in foreign trade, thereby putting an end to 18 straight years of deficits since 1952. In 1987, the province's surplus reached \$19.03 billion and its foreign-exchange reserves rose to \$76.75 billion from \$46.3 billion in 1986, exceeding West Germany and second only to Japan in the world.

The General Principles and Policies Employed To Develop the Externally Oriented Economy

If a nation is to have an externally oriented economy that participates in international competition and seeks growth through competition, that nation must have enterprises that are flexibly managed and that can rapidly respond to changes in world markets. And enterprise activities, in turn, are closely related to the programs and policies formulated by governments. To create favorable conditions for the growth of its externally oriented economy, therefore, Taiwan carried out the following programs and policies to foster growth of that economy.

First, Taiwan developed its economy step by step, from agriculture, to light industry and then to heavy industry and created an excellent foundation for its foreign trade. Taiwan's traditional economic mix was dominated by agriculture, and its efforts to satisfy the basic needs of its residents and to develop its industry depended on rapid agricultural growth, so during the 1950s it stressed agricultural development. First, it carried out land reform, using the "35.7 percent rent reduction," "sale of public farm lands" and "land to the tiller" programs

fundamentally to eradicate feudal productive relationships in the countryside and to give peasants their own land to cultivate and incentive to increase production and transforming landlords' landed wealth into industrial and commercial capital, thus promoting economic development. Second, the province increased investment in agriculture, built irrigation facilities, disseminated improved crop varieties, increased fertilizer use and worked to prevent plant disease, thereby stimulating growth in agricultural output, which by 1962 had grown by 64.9 percent over 1951, for an average annual rate of 4.6 percent, and agricultural labor productivity was slightly higher than the rate for the economy generally (1.01:1.00). From 1952 to 1960, agriculture accounted for 31.68 percent of total economic growth, a rate that was 7.12 percent higher than the contribution of industry, which was 24.56 percent. Agricultural development not only supplied great quantities of farm produce, thereby meeting residents' food needs, but also provided industry with capital and foreign exchange through accumulation and exports. The growth in peasant incomes and in agricultural output also provided the markets Taiwan needed for industrialization. Due to a lack of mineral resources, the low technological levels of Taiwan's enterprises, limited capital and other constraints, the province's efforts to promote industrial growth had to begin with the development of light industry and then move toward heavy and chemical industries. From 1952 to 1970, the province stressed development of light industry. During the 1950s, in addition to fertilizer and pesticide industries, which served agriculture, the province focused on the development of the foodstuff, garment and other industries that primarily served domestic demand and were closely related to residents' basic needs. During the 1960s, the province developed textile, leather, plastics and other light industries that primarily served export markets. And during the 1970s, in response to the imbalances created by the rapid growth of export-processing industry and by the backward state of the province's raw-materials industry, Taiwan began focusing on the development of heavy and chemical industries, strived to substitute locally produced equipment and raw materials for imported counterparts, and thereby enabled its industry to enter a new phase of development, namely, the heavy industrial stage. The ratio between light and heavy industry was 75.2:24.8 in 1952, 60.6:39.4 in 1965 and 45.2:54.8 in 1984. The development of industry also provided agricultural modernization with a material guarantee, so that Taiwan's farming for the most part has become completely mechanized and irrigated, uses chemical fertilizers and improved varieties and has advanced from traditional extensive farming to modernized intensive farming. The balanced development of agriculture and industry has augmented Taiwan's ability to engage in external trade, and the steady development of the province's trade, in turn, has promoted agricultural improvement. In the 30 years from 1951 to 1981, Taiwan's GNP has grown at an average annual rate of 9.2 percent, its industry has climbed by 14.9 percent, its agriculture has expanded by 4.1 percent and its exports have surged 14.9 percent.

Thus it can be said that for the last 30-odd years Taiwan developed by using agriculture to nurture industry, industry to promote agriculture and expansion of foreign trade to fuel the takeoff of the entire national economy.

Second, opening up to the outside world and expanding external economic ties are important features of and effective means by which to develop externally oriented economies.

1. Utilizing foreign capital and imported technology. (1) Foreign debt. In utilizing foreign capital, Taiwan has relied primarily on direct investment and has by no means resorted to heavy borrowing from abroad. Before the mid-1970s, foreign borrowing accounted for approximately 20 percent of the capital formation carried out by the government, and the share fell to about 8 percent after 1974, as the province's economy developed, but leaped to 17 percent after 1978, following development of heavy and chemical industries and the shift to capital- and technology-intensive industry, which required more capital. Taiwan employs both official and private borrowing, but the directions in which these loans are put to use differ. Official borrowing, which is guaranteed by Taiwan's Ministry of Finance, is primarily used for chemical and heavy industries and infrastructural facilities, which require much investment and yield results slowly, such as the "10 Major Construction Projects," 40 percent of whose funding came through official borrowing. Private medium and small enterprise borrowing, on the other hand, is used primarily in export-processing industry. As of 1985, Taiwan's outstanding foreign debt totaled \$5 billion. (2) Taiwan has used preferential policies to attract direct foreign and overseas Chinese investment. The "Statute Governing Investment by Foreign Companies" and the "Act Governing Investment by Overseas Chinese" seek to attract foreign and overseas Chinese investment by eliminating restrictions on shares of investment; by permitting foreign investors to repatriate their profits, interest earnings and principal in the original currency they employed; by helping investors acquire land for their plants; and by granting foreign investors the same treatment enjoyed by local enterprises. The "Statute on Technological Cooperation" allows overseas Chinese and foreigners to participate in technological cooperation on Taiwan through technology transfers or patent rights and to repatriate their earnings in foreign currency so as to encourage imports of advanced technology. From 1952 to 1987, Taiwan received \$8.3 billion in direct investment by overseas Chinese and foreigners and imported 2,000-plus sets of advanced technology. The province's use of foreign capital can be divided into two stages. During the first stage, prior to 1965, the province was primarily dependent on "American aid." From 1951 to 1965, the United States provided Taiwan with a total of \$1.5 billion in economic assistance, for an annual average of \$100 million. During this period, Taiwan focused American aid and a small amount of overseas Chinese and foreign direct investment on agricultural development and on the construction of infrastructural facilities, laying the

foundation for the development of its externally oriented economy. During the second stage, from 1965 to the present, which saw a great advance in Taiwan's externally oriented economy, the province primarily relied on direct investment from Europe, the United States and Japan. During the 1980s, the province has taken steps—including simplification of approval procedures, relaxing restrictions on investment shares, permitting investment in the service industry, and the like—to accelerate its use of direct investment, especially in new technology. Foreign investment increased to \$1.4 billion in 1987 from \$770 million in 1986. Statistics show that foreign-invested enterprises account for 10.8 percent of Taiwan's total fixed-capital formation, 13.02 percent of its GNP, 15.8 percent of its exports, 10 percent of its tax revenues and 15 percent of its total employment. Taiwan has actively encouraged local banks to establish branches overseas. By 1984, the Bank of Taiwan had already established 9 such organizations. Although Taiwan's external banking industry is not as advanced as Hong Kong's or Singapore's, the growth of industry has increased the number of channels the province can use to attract foreign capital and has enhanced Taiwan's status in the Asian-Pacific region.

2. Establishing a variety of commercial information networks abroad, and expanding overseas markets. Besides maintaining official commercial agencies overseas, Taiwan has encouraged enterprises to establish commercial networks abroad to gather economic information and expand markets.

3. Undertaking overseas construction projects and expanding exports of labor services so as to expand external economic ties and increase foreign-exchange earnings. Taiwan's construction contracts are concentrated in the Middle East and in Southeast Asia and primarily involve petroleum pipelines, harbors, freeways and housing.

4. Encouraging overseas investment and technology exports. Exports of technology and capital, which are the inevitable result of Taiwan's economic development, began during the 1970s and have continued to expand over the last 2 years, as Taiwan's economic strength grows and conditions change in the world economy. To respond to protectionism abroad and to ensure markets for its goods, Taiwan has expanded investment in developed countries, especially the United States. And to gain access to supply of raw materials and to cheap labor, the province has expanded its investment in and technology exports to developing nations, especially ASEAN members. As of 1985, the Investment Commission of Taiwan's "Ministry of Finance" had approved 20-plus overseas investment projects totaling \$170 million. Unapproved investment projects are even more numerous. For example, from January to May 1987 Taiwan authorities approved 29 investment projects in Thailand, but Taiwan businessmen were involved in 138 investment projects in that country.

Third, Taiwan has relied primarily on domestic accumulation, supplemented by foreign investment. In contrast to South Korea, which has resorted mainly to foreign capital to expand its investment, Taiwan relies on domestic accumulation, the share of which in Taiwan's total capital formation has steadily increased over the last 30 years, from less than 60 percent during the 1950s, to more than 90 percent in the late 1960s, to 100 percent in the late 1970s, showing that the province has the ability to fund its own investment entirely. In the 1980s, however, following the initiation of the "10 Major Construction Projects" and the "12 New Development Projects" and the development of heavy and chemical industries, Taiwan again resorted to foreign borrowing and attracted direct investment from overseas Chinese and foreigners, but even then, foreign capital still accounted for only about 10 percent of all industrial and commercial capital. The province has increased domestic accumulation primarily by raising interest rates on bank savings deposits. Since World War II, most developing countries and regions have set their interest rates lower than those of developed countries, so that these rates do not accurately reflect the changes in supply and demand for capital. And these countries' and regions' failure effectively to control inflation has made their actual interest rates negative. Thus to avoid losses, the residents of these countries and regions tend to use their income to buy consumer goods or to invest in real estate, which prevents the countries and regions from effectively using banks to mobilize the savings of their societies. Taiwan has taken the lead among these countries and regions in abandoning low-interest rates, raising its rates as early as 1950 to levels above the inflation rate (to 60 percent, whereas inflation was running at 50 percent), and has also adopted effective measures to bring inflation under control, reducing the rate from triple to double digits in the early 1950s, bringing inflation basically under control by 1957-1958, and lowering the rate to single digits after 1960. In the last several years, Taiwan has consistently had the lowest inflation rate among the "four little dragons" of Asia, posting rates of -0.1 percent in 1984, 0.2 percent in 1985 and 0.7 percent in 1986. Low inflation and high interest rates on savings deposits give people incentive to save, and Taiwan's savings rate, which stood at 5.2 percent in 1952, rose to 13.4 percent by 1963, and has consistently been over 30 percent during the 1980s, reaching 37.5 percent in 1986, the highest in the world. Compared to reliance solely on foreign capital, ignoring domestic accumulation and thus running into a debt crisis—practices that some developing countries and regions have followed, using domestic accumulation to expand investment is more conducive to stable economic development.

Fourth, Taiwan has strengthened infrastructural and tertiary-industry development. Every year for the last 30-odd years, Taiwan has invested much capital in construction of infrastructural facilities and energy development, an important approach by which it has improved its investment climate and promoted development of its externally oriented economy. In the 1970s, the province initiated its "10 Major Construction Projects" and "12 New Development Projects," investing a total of \$13.1 billion for

construction of three major production facilities—a steel mill, a petroleum refinery complex, and a shipyard—and for transportation and energy projects, such as the North-South Freeway, the Around-the-Island Railway, the Taoyuan International Airport, Taichung Port, nuclear power plants, and the like. And in 1985, Taiwan initiated the "14 Important Construction Projects," in which it plans to invest another \$25-plus billion for such things as modernization of telecommunications, expansion of its railway system and a subway for Taipei.

Taiwan's tertiary industry has always primarily served the province's business and "government." In response to the development of Taiwan's externally oriented economy, the share of transport, communications, banking and insurance industry in the province's total economy has steadily risen, and the development of the information service industry has accelerated in recent years, so that by 1985, tertiary industry accounted for 44.3 percent of the province's GNP. At present, for every 1,000 Taiwan residents, there are 293 telephones, 70 automobiles, 3.2 hospital sick beds and 0.8 physicians. An efficient, modern communications, transport and postal system; a smoothly flowing market system; good service; a rationally distributed business service system; and an information gathering and feedback system that is highly responsive to changes in world markets have made a tremendous contribution to the development of Taiwan's externally oriented economy.

Fifth, Taiwan has strengthened the external orientation of its agriculture. First, Taiwan has readjusted its agricultural mix in order to increase exports. Exploiting its advantages as an island, the province has vigorously developed fishery and expanded exports of marine products. Before the 1960s, Taiwan's fishery was not very advanced, but after 1970 the province increased investment in this industry, built fishery production bases, constructed fishing harbors, developed deep-sea fishing and thereby accelerated the development of this industry, especially of deep-sea fishing. Thus by 1984, fishery output reached 1 million tons, the output value of this industry accounted for 23 percent of total agricultural output value, and exports by this industry led all other agricultural and processed farm products. Taiwan also organized production of cash crops in response to changing demand on overseas markets. During the 1960s, for example, Western European and Japanese demand for asparagus and xianggu [7449 5466] mushrooms rose dramatically, so Taiwan quickly responded by increasing production of these goods, exports of which topped \$100 million in 1975 and \$200 million in 1978. During the 1950s, Taiwan's four leading agricultural and processed farm exports were sugar, rice, bananas and tea, but after 1970 the four leaders were aquatic products, asparagus and xianggu mushrooms, sugar, and bananas, so by focusing on export demand, Taiwan's agricultural production mix has experienced marked change. The share of cultivation in total agricultural output value declined to less than 50 percent by the mid-1970s, while the shares of fishery and animal husbandry rose from 25

percent in 1952 to 52 percent in 1984. Second, Taiwan developed more sophisticated processing of agricultural goods, gradually creating two major agricultural-industrial-commercial lines, the first of which is rooted primarily in the foodstuff industry, involving sophisticated processing of agricultural products, such as canned asparagus, and the second of which is based primarily in the production and processing of marine resources, such as live and refrigerated fish. The development of processing industry requires sufficient supply of raw materials and therefore promotes the development of agriculture so that that sector becomes a major foreign-exchange earner. Although the share of agriculture and processed farm goods in total export value has declined, due to the growth of industry, from 91.9 percent in 1952 and 49.5 percent in 1962 to 7.3 percent in 1982, the absolute value of agricultural and processed farm goods has steadily climbed, from \$110 million to \$1.62 billion.

Sixth, Taiwan has developed new industries. The ability of an externally oriented economy to develop smoothly is determined to a large extent by how marketable its products are overseas. To expand and improve the competitiveness of its exports, Taiwan has paid close attention to international developments in science and technology, steadily adjusted its productive mix and vigorously developed new industries. The change in Taiwan's industrial and productive mix has gone through three stages. The first, during the 1950s and 1960s, was the era in which the island's labor-intensive light industry developed. The emphasis during this period was on the technological transformation of traditional light industry and on the technological development of new export industries. For example, the province effected technological transformation of its textile and foodstuff industries, especially canning, and initiated technological development and importing in its electronics, plastics and plywood industries. The second stage occurred during the 1970s, when heavy industry was developed. During this period, Taiwan imported advanced steel furnaces and technology for its petroleum, shipbuilding and nuclear power industries; established large shipyards, steel mills and nuclear power plants; imported productive technology for its electronics industry; and established chemical, machinery, electronics and electrical appliance industries. The third stage began during the 1980s, when the province began to shift from labor-intensive to capital- and technology-intensive industry. To upgrade its industry, Taiwan has aggressively developed state-of-the-art science and technology, and the most important step it has taken in this area is the establishment in 1977 of the Hsinchu Science-based Industrial Park, which is designed to attract domestic and foreign investment and technology for the production of such high-tech goods as computers, lasers and precision instruments, which are now exported to Europe, the Americas and Hong Kong.

Measures Supporting the Externally Oriented Economy

Most of Taiwan's enterprises are medium and small private firms. In 1984, there were 500,000-some small

firms, equal to 95 percent of the province's total number of enterprises, employing 20 or fewer workers. These firms have limited capital resources, are weak technologically yet have served as the mainstay of Taiwan's externally oriented economy, which was made possible because Taiwan authorities have employed a series of measures supporting their externally oriented economy and have thereby laid the groundwork at every link—from investment, to production, to operations and to sales—for the smooth development of externally oriented enterprises.

First, Taiwan has established a variety of specialized agencies to strengthen guidance and coordination work vis-a-vis export industry. In addition to the Board of Foreign Trade, the China External Trade Development Council, the Bureau of Commodity Inspection and Quarantine, and the Bureau of Standards, which are under the Ministry of Economic Affairs [sic], Taiwan has also established a "Productivity and Trade Center", which helps firms resolve problems related to production and marketing, management, technology and personnel and provides them with international market information; a "Medium and Small Business Guidance Task Force", which helps firms obtain short-term loans, improve their technology and manage their production and marketing operations; a "Metallurgical Industry Development Center", which provides technical services for the metal smelting and processing industries, assists these industries with design and manufacturing and helps them train technical and management personnel; and an "Investment Office" under the "Council for Economic Cooperation", which office provides domestic and foreign investors with investment outlook analyses and consulting services and helps them complete various administrative procedures. In 1982, Taiwan drew up a "Medium and Small Business Development Guidance Program", which focused assistance on promoting modern management practices, strengthening short-term funding and improving production technology so as to enable medium and small firms to specialize. And to promote the establishment of organic parent-subsidiary relationships between large enterprises and their satellites and to strengthen specialized cooperation between these entities, Taiwan drew up the "Guidelines To Promote the Establishment of Central and Satellite Plant Systems", which stipulated that central and satellite firms are to have their own responsibilities and duties, called on central firms to assist satellites with technology and capital, and thus sought to provide synchronized development between these entities. By creating a variety of agencies and formulating a series of programs, Taiwan has established a networked guidance system for externally oriented enterprises, providing assistance horizontally in such areas as finance, productive technology and export marketing and vertically by providing for guidance effected by parent companies over subsidiaries, by trade associations over members and by county and city investment promotion councils over local medium and small enterprises.

Second, Taiwan has consistently and aggressively encouraged exports, first from the time when it strictly controlled to the period when it gradually relaxed restrictions on imports. From 1952 through the early 1960s, which period is called the first import substitution stage, Taiwan employed a strategy of import substitution for nondurable consumer goods. At that time, the province lacked foreign exchange and supply of producer goods and materials, faced serious inflation and thus, to balance its international current account and check its galloping inflation, had no choice but to begin by developing production of goods it could manufacture so as to reduce reliance on imports, and therefore adopted the following important measures: (1) strictly controlling imports and levying heavy duties on the imports that were permitted; (2) having the government distribute foreign currency; (3) employing dual foreign-exchange rates. During the 1960s, as the province's exports rose and its foreign trade shifted from the red into the black, it began to relax its controls on imports. First, it abolished the restrictions established during the 1950s to protect domestic industry, such as the import security deposit and quota systems. Next, as its economy developed, it gradually lowered import duty rates and reduced or eliminated duties on imported raw materials and equipment required for export production. And it aggressively encouraged exports by granting enterprises selling overseas preferential duty rates, tax rebates, tax exemptions and low-interest loans which carried interest rates of only about 10 percent, as opposed to the 20 percent borne by enterprises producing for the domestic market. These policies served effectively to promote the development of Taiwan's foreign trade, which in 1984 stood at 173 times the volume of 1952.

Third, Taiwan has reformed and stabilized its foreign-exchange rates. During the 1950s, Taiwan employed a system of multiple exchange rates, applying different rates to different commodities. Although serving to protect the domestic market and to stimulate the development of important-substitution industry, this system caused exporters to suffer losses. So in 1958, the province adopted a dual rate system, which it changed again to a uniform schedule in 1961. Meanwhile, the province bucked the traditional practice of the time of overvaluing local currencies and became the first developing region to devalue its currency, from 15.55 New Taiwan dollars to \$1 in 1958 to 40:1 in 1960. And in the 20-odd years between 1960 and 1986, it managed to keep the

rate stable between 33:1 and 40:1, thereby ensuring that its exporters did not suffer from frequent fluctuation in exchange rates and guaranteeing exporters profits when their earnings were converted to New Taiwan dollars.

Fourth, Taiwan has employed a variety of economic measures and preferential policies to promote the development of externally oriented enterprises. For example, Taiwan has granted industries it is encouraging to engage in exporting 5-year tax holidays and long-term low-interest loans, subsidized research and development of new export products, and had the "government" undertake investment in sectors requiring development but which no one is willing to get involved in, handing management over to private entrepreneurs once the projects have been in production for 1-2 years.

Fifth, Taiwan has established export processing zones. In 1966, Taiwan established an export processing zone in Kaohsiung, the first such zone in Asia, and later added similar zones in Nantze and Taichung, for a total area of nearly 200 hectares. These zones, which combine the features of industrial parks and free ports, create a new type of free-trade zone. The "Statute Governing the Establishment and Administration of Export Processing Zones" allows for production for export of 17 types of industrial goods in these zones and for duty-free import of raw materials, equipment and unfinished products required for the production of these goods but requires that the final products be exported and forbids domestic sale thereof except where special permission is granted. The zones have established administrative councils to process all registrations, issue all import licenses, settle all foreign exchange, and the like. With their preferential investment conditions and simplified administrative procedures, the zones quickly attracted investment from overseas Chinese and foreigners and in 1986 had employed 89,000 people, attracted \$460 million in investment (of which overseas Chinese and foreigners accounted for 90 percent and Taiwan firms, only 10 percent), and registered a trade volume of more than \$3 billion, equal to 5 percent of Taiwan's total. Although the zones are small in area, have not attracted much foreign capital and do not comprise a large share of Taiwan's total foreign trade, they have played a major role in introducing advanced technology from abroad, increasing foreign-exchange earnings and balancing Taiwan's trade.

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